School District 8
Kootenay Lake

GOVERNANCE AND POLICY COMMITTEE OF THE WHOLE
MEETING AGENDA
TUESDAY, NOVEMBER 10, 2020
12:30 PM (PT) – 2:00 PM (PT)

Zoom - Meeting ID: 684 5368 8313 - Passcode: 953306

1. **Call to Order**

2. **Acknowledgement of Aboriginal Territory**

   We acknowledge, respect and honour the First Nations in whose traditional territories the Kootenay Lake School District operates and all Aboriginal people residing within the boundaries of School District No. 8.

3. **Insertions/Deletions to proposed Agenda**

4. **Adoption of Agenda**

   Proposed Resolution:

   THAT the agenda for this November 10, 2020 meeting, **BE ADOPTED**, as circulated.

5. **Receiving Presentations**

6. **Opportunity for Comments by the Public**

7. **Consent Package**: Nil

8. **Adoption of Minutes** (p. 3) App. 8

   Proposed Resolution:

   THAT the minutes from the September 22, 2020 Governance & Policy Committee of the Whole meeting **BE ADOPTED**.

9. **Old Business**: Nil

10. **New Business**

    A. Section 600 – Finance and Business Operations – Secretary-Treas. McLellan (p. 6) App 10A

    - Policy 610: Fiscal Management
    - Policy 615: Board Signing Authority
    - Policy 620: Budget Development, Monitoring and Reporting
    - Policy 621: Accumulated Operating Surplus
    - Policy 640: Acquisition-Disposal of Board Assets
    - Policy 641: Gifts
    - Policy 642: Procurement and Purchasing
    - Policy 650: Disposal of Real Property and Improvements
    - Policy 660: Child Care Providers in Schools
    - Policy 680: Business, Service Group and Community Sponsorship and Partnerships

    Proposed Resolution:

THAT Policies 610, 615, 620, 621, 640, 641, 642, 650, 660 and 680 **BE RECOMMENDED** to the Board for approval.

B. Emotional Skills for the Board Room: Know the Rules – Superintendent Perkins

- "12 emotional habits of effective board members" by L. Gershfeld
- "Emotional Intelligence in the Boardroom" by D. Rosati

C. The Ethical Imperative and the Environment, Social and Governance Imperative – Superintendent Perkins (p. 20) App 10C

- "The Directors College Code of Ethical Conduct"
- "The Legal and Fiduciary Duties of Directors"
- "Sustainability: Environmental and Social Issues Briefing"

11. Policy Priority List/Annual Plan (p. 64) App. 11

12. Question Period

13. Meeting Schedule & Reminders (p. 66) App. 13

The next meeting of the Committee is scheduled for March 9, 2021 at the Nelson Board Office.

14. Adjournment of Meeting

GOVERNANCE AND POLICY COMMITTEE OF THE WHOLE
MEETING MINUTES
HELD ON TUESDAY, SEPTEMBER 22, 2020

BOARD:	L. Trenaman S. Walsh S. Chew D. Lang B. Maslechko (*via video conference)* A. Gribbin (*via video conference)* S. Nazaroff (*via video conference)* B. Coons (*via video conference)*
DISTRICT STAFF:	C. Perkins, Superintendent M. McLellan, Secretary-Treasurer N. Howald, Director of Information Technology D. Holitzki, Director of Inclusive Education C. Singh, Director of Human Resources B. MacLean, Director of Operations R. Krulitsky, Executive Assistant
PARTNERS:	J. Konken, KLPVPA M. Bennett, CUPE A. Early, CUPE M. Doyle, KLPVPA (*via video conference)* N. Nazaroff, DPAC (*via video conference)* C. Wilson, KLTF (*via video conference)* D. Kunzelman, KLTF (*via video conference)*
REGRETS:	C. Beebe, Trustee

1. Call to Order

The meeting was called to order at 12:31 PM.

2. Acknowledgement of Aboriginal Territory

We acknowledge, respect and honour the First Nations in whose traditional territories the Kootenay Lake School District operates and all Aboriginal people residing within the boundaries of School District No. 8.

3. Insertions/Deletions to proposed Agenda

The Committee Chair provided an overview of procedures for the meeting:

- Virtual attendees to keep their microphones muted
- Raise hand or use Zoom chat function to ask questions
- Trustee Gribbin is participating as an observer only due to censure

It was noted that the Annual Plan & Policy Priority List provided for Item 11 is a draft document, to be discussed and potentially updated at Item 10.

4. Adoption of Agenda

UPON a motion duly made and seconded it was **RESOLVED:**

THAT the agenda for this September 22, 2020 meeting, **BE ADOPTED**, as circulated.

5. Receiving Presentations: Nil

6. Opportunity for Comments by the Public: Nil

7. Consent Package: Nil

8. Adoption of Minutes

UPON a motion duly made and seconded it was **RESOLVED:**

THAT the minutes from the June 9, 2020 Governance & Policy Committee of the Whole meeting **BE ADOPTED**.

9. Old Business: Nil

10. New Business

A. Terms of Reference and Annual/Priority Plan Review

- Terms of Reference
  - Item 2C was updated for clarity
- Annual Plan
  - "Two year" removed from item 1 of Goals & Objectives
  - Bylaw No. 1 removed, Policy 100 added to item 1 of Goals & Objectives
  - Dates to be corrected under section 2. Governance Topics

B. Coons temporarily exited the video conference at 12:56 PM.

A conversation took place regarding the cost of having all policies reviewed by a lawyer. The Secretary-Treasurer stated they could only speculate on the cost.

B. Coons rejoined the video conference at 12:56 PM.

UPON a motion duly made and seconded it was **RESOLVED:**

THAT the Governance and Policy Committee of the Whole Terms of Reference and Annual Plan **BE RECOMMENDED** to the Board for approval.

B. Section 500 – Human Resources

- Policy 510: Employee Recognition
  The page numbering was corrected.

  "Or" was added to the end of the first bullet point.

  C. Wilson temporarily exited the video conference at 1:10 PM and returned at 1:11 PM.

- Policy 520: Human Resources Employment Practices

The page numbering was corrected.

- Policy 521: Relocation Assistance for Senior Management

  The page numbering was corrected.

- Policy 530: Whistleblower Protection

  The suggested changes were approved, and the page numbering was corrected.

  The Director of Human Resources advised that this policy would be reviewed again later this year. It was requested to be added to the Annual Plan.

- Policy 540: Supervisory Conflict of Interest

  The suggested changes were approved, and the page numbering was corrected.

  A stakeholder inquired if this policy could violate the Collective Agreement. The Director of Human Resources advised that the Collective Agreement supersedes policy.

- Policy 550: Non-Contractual Leaves of Absence

  The suggested changes were approved, and the page numbering was corrected.

- Policy 560: Appointment of Principals and Vice-Principals

  The suggested changes were approved, and the page numbering was corrected.

- Policy 570: Prevention of Violence in the Workplace

  The page numbering was corrected.

- Policy 580: Discrimination and Harassment

  The suggested changes were approved, and the page numbering was corrected.

  The Director of Human Resources advised that this policy would be reviewed again later this year. It was requested to be added to the Annual Plan.

UPON a motion duly made and seconded it was **RESOLVED:**

THAT Policies 510, 520, 521, 530, 540, 550, 560, 570, and 580 **BE RECOMMENDED** to the Board for approval.

11. Policy Priority List/Annual Plan

12. Question Period

13. Meeting Schedule & Reminders

The next meeting of the Committee is scheduled for November 10, 2020 at the Nelson Board Office.

14. Adjournment of Meeting

The meeting was adjourned at 1:21 PM.

POLICY 610: Fiscal Management

The Board of Education of School District No. 8 (Kootenay Lake) recognizes its responsibility to ensure that the School District's fiscal management complies with the requirements of the Ministry of Education and Public Sector Accounting Standards.

Further, the Board supports the Taxpayer Accountability Principles established by government that strengthen accountability, cost effectiveness, and commitment to operate in the best interest of taxpayers. These principles include:

- efficiency
- accountability
- appropriate compensation
- service
- respect
- integrity

Related Legislation: Budget Transparency and Accountability Act [RSBC 2000]
Related Contract Article: Nil
Adopted: October 9, 2001
Amended: October 9, 2018
Amended: June 25, 2019

POLICY 615: Signing Authority

The Board of Education of School District No. 8 (Kootenay Lake) is responsible for establishing its own signing authorities.

The signing officers of the Board are:

1. Chair of the Board;
2. Vice-Chair of the Board;
3. Superintendent;
4. Secretary-Treasurer; and
5. Directors, as may be designated by the Secretary-Treasurer.

Related Legislation: Nil
Related Contract Article: Nil
Adopted: June 25, 2019

POLICY 620: Budget Development, Monitoring and Reporting

The Board of Education of School District No. 8 (Kootenay Lake) believes that a fundamental aspect of the duties of the Board is to establish and monitor the District's annual budget.

The Board must receive sufficient information to fulfill its fiduciary responsibilities and be satisfied that revenues and expenditures are aligned with the strategic priorities of the Board. The Board must ensure that appropriate processes are established to maintain the fiscal integrity of the District.

The Board expects that Administration will not cause or allow any financial activity that materially deviates from the budget adopted by the Board, cause or allow any fiscal condition that is inconsistent with achieving the expectations and strategic priorities the Board has established, or that places the long-term financial health of the organization in jeopardy.

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Guidelines

1. All plans, assumptions, implementation strategies, and risks are to be fully disclosed to the Board prior to approval of budget documents. At a minimum, these disclosures should include:

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   1.1. key budget assumptions, such as student enrolments, grant rate changes, salary increases and inflation rates;

   1.2. financial and business risks, such as changes in interest rates and changes in fuel prices; and

   1.3. specific strategies explaining how the budget supports the school district's strategic plan/direction

2. Budget update materials should be prepared monthly and provided to the Board in a timely manner.

   2.1. The updates should include a comparison to the original budget and forecasts to the end of the school year in the following areas:

      2.1.1. revenues

      2.1.2. expenses

      2.1.3. accumulated operating surplus or deficit

   2.2. The updates should also include an explanation of significant variances, such as variances greater than 10%.

   2.3. The budget updates should be formally received by the board, and Administration should review the changes with trustees to make sure they are aware of the current situation and the impact of the changes on the fiscal plan.

3. The Secretary-Treasurer will establish effective budgetary controls including, but not limited to:

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Related Legislation: School Act [RSBC 1996, Part 8, Division 2, Section 111] and Budget Transparency and Accountability Act [RSBC 2000]
Related Contract Article: Nil
Adopted: January 14, 2003
Amended: October 25, 2010
Amended: October 9, 2018

3.1. clearly defined managerial responsibilities,

3.2. plans for individual budget sites,

3.3. responsibility for adhering to the budget,

3.4. monitoring performance against the budget,

3.5. corrective action if results differ significantly from the budget,

3.6. permitting significant departures from the budget with the approval by the board, and

3.7. investigating unexplained variances from the budget.

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Related Legislation: School Act [RSBC 1996, Part 8, Division 2, Section 111] and Budget Transparency and Accountability Act [RSBC 2000]
Related Contract Article: Nil
Adopted: January 14, 2003
Amended: October 25, 2010
Amended: October 9, 2018

POLICY 621: Accumulated Operating Surplus

The Board of Education for School District No. 8 (Kootenay Lake) believes that adequate surplus levels are important in achieving educational goals and addressing financial health, stability and risk; and, the allocation of surplus funds supports long-term planning by mitigating changes in revenue and making provision for contingencies for unexpected events.

The Board of Education is responsible for ensuring the district is protected financially from forecasting risk and unforeseen circumstances that could negatively impact resources available for the education of students.

The Board's accumulated operating surplus will serve as:

1. a contingency reserve for the risks associated with unexpected increases in expenses and/or decreases in revenues;
2. one-time costs not included in the annual operating budget; and
3. intermittent projects and initiatives.

The Accumulated Operating Surplus will align with and consider:

- District Vision and Mission Statement;
- District Strategic Plan;
- District Facilities Plan; and
- Current and projected financial health of the district.

Related Legislation: School Act [RSBC 1996, Part 8, Division 8]
Related Contract Article: Nil
Adopted: October 9, 2018

Moved (insertion) [1]

Deleted: Definitions¶
¶
Unrestricted Surplus: the accumulated operating surplus built up in the School District's operating fund that has not been designated for specific uses. ¶
¶
Restricted Surplus: the accumulated operating surplus built up in the School District's operating fund that has been designated for specific uses.¶

Deleted: Guidelines¶

Moved up [1]: <#>The Accumulated Operating Surplus will align with and consider: ¶
<#>¶
<#>District Vision and Mission Statement; ¶
<#>¶
<#>District Strategic Plan; ¶
<#>¶
<#>District Facilities Plan; and ¶
<#>¶
<#>Current and projected financial health of the district.¶

Deleted: <#>The Secretary-Treasurer shall be responsible to:¶
<#>¶
<#>Recommend the appropriate balances to be maintained in both the unrestricted and restricted accumulated operating surplus;¶
<#>¶
<#>Recommend the necessary increases/decreases and transfers from Restricted and Unrestricted Operating surplus; ¶
<#>¶
<#>Secure Board approval for the transfer of surplus operating funds; and ¶
<#>¶
<#>Benchmark actual surplus balances with other school districts and with pre-determined targets on an ongoing basis to gauge whether financial health is being achieved.¶
<#>¶
<#>Annual and/or periodic increases to the restrictions on the Accumulated Operating Surplus shall be specific to each category of restriction, as ...

Commented [SW2]: Regarding footer: I'm not sure that the School Act reference is appropriate, since this division addresses Accounts and Audits generally and contains no specific references to surpluses. Would an additional or a replacement reference to the Budget Transparency and Accountability Act which has several references to surpluses be appropriate?

POLICY 640: Acquisition and Disposal of Board Assets

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The Board of Education of School District No. 8 (Kootenay Lake) recognizes that all sites, buildings and equipment (excluding consumable supplies) are assets of the School District.

The Secretary-Treasurer will establish procedures for the acquisition and disposal of equipment and supplies.

Equipment purchased by outside groups/organizations such as: Parent Advisory Councils, service clubs and community organizations that are placed in a school or District facility, or on school or district property, will become the property of the School District.

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Related Legislation: School Act [RSBC 1996, Part 7, Division 1, s.97]
Related Contract Article: Nil
Adopted: October 9, 2001
Amended: October 9, 2018

POLICY 641: Gifts

The Board of Education of School District No. 8 (Kootenay Lake) values the contribution from our communities and welcomes gifts of materials, equipment and funds (money) to the School District in accordance with the following guidelines.

<u>Guidelines</u>

1. <u>Ownership</u>

   1.1 All gifts of materials, equipment and money, when accepted, will become the property of the Board. The donor may designate to which school or for which purpose the gift will be given.

2. <u>Approval</u>

   2.1 All offers of gifts, materials, equipment and money must be approved by the Superintendent/CEO, the Secretary-Treasurer or a designate, in consultation with the Principal(s)/Supervisor(s) of the receiving school(s)/department(s), prior to the acceptance of the gift. If there is any doubt to the usefulness or appropriateness of the gift, or if there is any concern that the Board may incur additional costs for liability as a result of the gift, the gift may be declined.

   2.2 All materials, books, equipment, etc. donated must meet the same standard as selection criteria (educational, safety, etc.) applied to all School District purchases.

3. <u>Receipt for Tax Purposes</u>

   3.1 If donors request a receipt for tax purposes, the following will apply:

      1. Tax receipts will not be issued for donations of less than twenty-five dollars ($25).
      2. Cash donations must be made payable to School District No. 8 (Kootenay Lake) and forwarded to the School Board Office for receipt. The donations will be allocated to the school or program for which they were intended.
      3. Donations in kind will be evaluated by a person or persons knowledgeable in that area, designated by the Secretary-Treasurer, prior to a receipt being issued.
      4. Tax receipts will not be issued to parents/guardians for payment of fees or donations that benefit their own child(ren).

4. <u>Disposal</u>

   4.1 As the equipment donated becomes obsolete or has completed its useful life, it may be disposed of, in accordance with Board policy.

Related Legislation: Nil
Related Contract Article: Nil
Adopted: October 9, 2001
Amended: June 24, 2003
Amended: October 9, 2018

POLICY 642: Procurement and Purchasing

The Board of Education of School District No. 8 (Kootenay Lake) has, as its overarching purchasing objective, to satisfy the operational needs of the School District while realizing overall best value for goods and services using best practice and professional judgement. The Board assigns to the Secretary-Treasurer responsibility for those judgements.

The Board values the District's purchasing function's contribution to educational and operational programs through:

- Application of specialized professional knowledge
- Development of district-wide experiential knowledge
- Utilization of public purchasing standards
- Efficiency of acquisition of goods and services
- Realization of best value in acquiring goods and services

The District's procurement activities must be conducted with integrity and the highest standard of ethical conduct. All individuals involved with the District's procurement activities must act in a manner that is consistent with the principles and objectives of this policy.

The Board believes the school district should participate with other public authorities in a cooperative way and take full advantage of shared opportunities and services, when appropriate.

The Board of Education of School District No. 8 (Kootenay Lake) will tender banking and audit requirements every three (3) years.

- already in AP 642.1

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Moved down [1]: The Board of Education of School District No. 8 (Kootenay Lake) will tender banking and audit requirements every three (3) years.¶

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Moved (insertion) [1]

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Deleted: <#>The Secretary-Treasurer will be responsible for ensuring that purchasing procedures are established so that all supplies, services and equipment required for the operation of the School District's schools and educational programs are obtained at the best price available with free opportunity, whenever practicable, for all interested vendors to make proposals for supply.¶
<#>¶
<#>The School District will purchase locally, whenever and wherever possible; however, the School District's first consideration must be value for money spent. For this reason, local suppliers and contractors will be given preference only as other conditions are comparable.¶
<#>¶
<#>The Board will, whenever practical, join in cooperative purchasing with other School Districts or agencies to take advantage of lower prices for bulk purchasing and to reduce the administrative costs in tendering.¶
<#>¶
<#>The Secretary-Treasurer will provide to the Board a monthly printout of all expenditures in excess of ten thousand dollars ($10,000) for information.¶
<#>¶
<#>The Secretary-Treasurer will be responsible for ensuring that tendering procedures are established (see Accounting Procedures Manual) for the District.¶
<#>¶
<#>Tender calls will be made in accordance with the B.C. Government Public Sector purchasing requirements.¶
<#>Tender calls for banking services will be invited from financial institutions within the School District that can comply with the Ministry of Education requirements for banking.¶
<#>¶
<#>Tender calls for audit services will be invited from accounting firms within the School District that hold a chartered accountant designation and can comply with the Ministry of Education requirements for auditing school districts.¶

Related Legislation: Nil
Related Contract Article: Nil
Adopted: October 9, 2018

POLICY 650: Disposal of Real Property and Improvements

The Board of Education of School District No. 8 (Kootenay Lake) seeks to ensure ownership of real property and improvements is managed in the best interest of the District.

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In order to reduce operating costs and utilize facilities effectively, the Board will consider the disposal of its surplus properties in accordance with Ministry policy, orders and regulations, provided that there is not an anticipated need for the use of the space to attend to future educational and/or operational purposes.

For the purposes of this policy, any lease for a term, including the cumulative total of all options and rights to extend or renew the lease for a period of more than ten years and/or which provide for an option or right to purchase, shall be treated as a disposal.

Guidelines – move to AP650.1?

1. Prior to the disposition of surplus property, the Board of Education will:

    1.1. Consider future enrolment growth in the District, including Kindergarten to Grade 12, adult programs, and early learning;

    1.2. Consider alternative community use of surplus space in school buildings and other facilities;

    1.3. Give fair consideration to community input, and adequate opportunity for the community to respond to the Board of Education's plans for the property;

    1.4. Complete full title search;

    1.5. Request an independent appraisal of the property; and

    1.6. Seek approval from the Minister as required.

2. The method of disposition of surplus properties will be through a public process that may include:

    2.1. Public advertising;

    2.2. Public tender;

    2.3. Public auction;

    2.4. Request for proposals; or

    2.5. Listing with real estate agencies.

3. The Board will apply the following criteria regarding disposals:

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Related Legislation: School Act [RSBC 1996, Part 7, Division 1, Section 96]
Related Contract Article: Nil
Adopted: February 26, 2008
Amended: January 14, 2014
Amended: October 9, 2018

3.1. The decision to sell or lease the property is consistent with Ministry policy, orders and regulations;

3.2. The business case for selling the property is demonstrable and supportable after consideration of future enrolment growth, alternative community use and input, environmental issues, title searches, independent appraised value, and offers;

3.3. The disposition will be at fair market value, except as set out below. Fair market value means the amount, price, consideration or rent that would be obtained by the Board of Education in an arm's length transaction in the open market between willing parties acting in good faith;

3.4. That considerations regarding market value and highest and best use could be superseded at the discretion of the Board of Education if:

3.4.1. The property could generate ongoing funding for the district through an educational partnership, or the property could generate ongoing funding, savings, or provide shared services to the District through partnership with other public bodies (e.g. lease arrangement with BC Transit),

3.4.2. The property has a history of a community relationship and past-usage with a committed organization in the community,

3.4.3. The property is the only public facility in the community that is suitable for community use;

3.4.4. The planned use of the property would have significant positive effect on a large number of citizens that could not be gained in other ways;

3.4.5. The property would be used by another Board of Education (including the Conseil Scolaire Francophone) or independent school for educational purposes; or local government or community organization for alternative community use.

3.5. The Board of Education will adopt a by-law approving the disposition;

3.6. The Board of Education will provide the Minister of Education with a copy of the Disposition By-law and written notification of the disposition and allocation of the proceeds.

4. Subject to section 5, if the Board of Education receives funds in respect of the disposition of any asset that was the subject of a capital expenditure, the funds must be allocated between the Board of Education and the minister according to the Board of Education's contribution and the minister's contribution to the capital expenditure.

5. The Minister may allocate the money between the minister and the Board of Education if:

5.1. The minister is not able to determine the Board of Education's contribution or the minister's contribution to the capital expenditure, or

5.2. In the opinion of the minister, the allocation is not appropriate in the circumstances.

6. Money allocated to the minister must be used by the Board of Education only

    6.1. for capital projects, and
    6.2. with the minister's approval.

7. Money allocated to the Board of Education must be used by the Board of Education only for capital projects, and allocated by Board motion.

8. The Board of Education of Education may allocate money received in respect of a lease to either operating or capital expenditures if the lease

    8.1. is for a term, including the cumulative total of all options and rights to extend or renew the lease, of not more than ten (10) years, and

    8.2. does not provide for an option or right to purchase.

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POLICY 660: Child Care Providers in Schools

Quality accessible and affordable child care and early learning programs provide significant social and economic benefits for the community. Research shows that quality childcare and early learning programs have a direct relationship to successful transitions to kindergarten, literacy development, poverty reduction, and community engagement.

The funding and regulation of licensed child care is primarily a provincial government responsibility, and the Board recognizes that its primary obligation is to provide school age educational programs; however, the Board of Education of School District No. 8 (Kootenay Lake) believes that the District, along with community partners, can play an important role in planning, developing and coordinating childcare for children in our region.

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The District shall not directly provide licensed child care, however it is supportive of thirdparties that deliver quality, accessible and affordable child care in District facilities. Schools shall release and/or share available space on a cost-recovery basis for that purpose, and, where possible, new school construction or renovations will incorporate designated and/or shared space for child care services.

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Related Legislation: School Act [RSBC 1996, Part 6, Division 2, s.85.1, 85.2, 85.3]
Related Contract Article: Nil
Adopted: March 10, 2020

POLICY 680: Business, Service Group and Community Sponsorship and Partnerships

Deleted: Advertising

The Board of Education of School District No. 8 (Kootenay Lake) acknowledges that businesses and service groups may from time to time choose to support, financially and materially, public school activities through sponsorships or partnerships. The Board supports the development of sustainable education-business relationships between the Board, its schools and the community, and encourages community groups, businesses, corporations, labour groups, civic organizations, industries, government agencies, colleges, universities and others to join in developing education-business relationships with the Board and/or its schools through various types of sponsorship/partnership arrangements for the benefit of the school community.

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Acceptable sponsorship/partnerships provide benefits to the educational, cultural, artistic and athletic programs of students though the donation/contribution of products, services or money to a school or the district. The Board wishes to secure sponsorships/partnerships that are consistent with the values, principles and objectives of the District. Revenues acquired though sponsorships will be used to complement and not replace public funding for education.

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It is the obligation of the Board to protect the welfare of School District #8 (Kootenay Lake) students and the integrity of the learning environment. When working together, schools, community groups and businesses must ensure that educational values are not distorted in the process. These relationships must be ethical and structured in accordance with the following principles:

1. Will not lead to the exploitation of the students;
2. Minimizes the implication that the Board of Education or the school endorses particular businesses, organizations, products or services;
3. Offers significant educational, cultural, artistic or athletic benefits or social values for students;
4. Expected acknowledgement is dignified, modest, reasonable and consistent with this policy;
5. Must be structured to meet an identified educational need;
6. Ensures protection against claims that are false or misleading;
7. Involves minimal intrusion into instructional time;
8. School or District has sufficient resources to pay for cost of installation, ongoing maintenance, repairs and training.
9. Donated goods and services are held to the same standard used for the selection and purchase of curriculum materials.

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Definitions

Related Legislation: Nil
Related Contract Article: Nil
Adopted: October 26, 2004
Amended: January 10, 2017
Amended: October 9, 2018

A. **Advertising:** the oral, written or graphic statement made in any manner in connection with the solicitation of business by promoting goods and/or services to encourage the public to buy or to patronize in exchange for financial payment.

B. **Sponsorship:** an agreement between an individual school, the Board of Education and an individual group, organization or community-based group in which the sponsor provides financial or resource support in exchange for recognition.

C. **Partnership:** a collaborative relationship between the Board and an organization or business wherein the resources of the Board and the partner are combined to enhance the quality and relevance of the educational program provided by the Board.

D. **Donation:** refers to a gift or contribution of money, goods or services, voluntarily transferred to a school or the school district which is given without expectation of something of value in return.

Advertising or sponsorship is not the sale of good/services to the district, the school or Parent Advisory Councils for market value where items have brand names, trademarks, logos or tags for product/service identification. These shall be governed by the purchasing policies of the district, schools or Parent Advisory Councils.

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Related Legislation: Nil
Related Contract Article: Nil
Adopted: October 26, 2004
Amended: January 10, 2017
Amended: October 9, 2018

The Directors College

The Directors College Code of Ethical Conduct

1. Preamble

Certification from The Directors College represents both a significant mastery of expertise, and a serious commitment to ethical purpose.

As fiduciaries, Directors are entrusted by society to provide counsel and oversight. Beyond applying competence gained through training and experience, earning and preserving trust requires Directors to exercise the care and moral imagination which characterize integrity.

It is understood that organizations and boards have the responsibility to define their own principles, values, and accountabilities. The Directors College Code of Ethics sets the stance, or mode of interpretation, for fulfilling those particular duties of governance in ways that also satisfy the shifting and escalating expectations of the community.

While many codes of conduct are prescriptive, defining what is to be done to avoid wrong-doing, the Directors College Code invites imaginative enquiry to examine issues with an appreciation for their complexity. Boards use their best judgment to mitigate risks, and guide the way to opportunities. With the orientation and disciplines provided by the Directors College Code, directors embrace as part of their job description the responsibility to also account for ethical risks, and align the organizations productivities with those of the public good.

2. Precepts and Principles: Fulfilling the Duty of Public Oversight

The Code has been formed and evolved to give particular guidance for The Directors College values:

To be forward looking, which means to take responsibility shaping the future; to approach difficult issues with an open mind; to apply curiosity and care to emerging trends so as to discover what is needed, and what is possible.

To be trustworthy, which means to be driven by values in the pursuit of value; to engage diverse stakeholders with respect to their different interests; to create the capacities and culture for both higher productivity and purpose.

To be change-enabling, which means to be the catalyst for transformation; to use collaboration for inclusive innovation; to use influence and the moral authority earned by trustworthiness to build political and social coalitions for long-term success and sustainability.

According to the latest scholarship, the ethical duties of directors can best be summarized as navigating the space between what is legal and what is moral. Two decades of research also shows that directors attend to their ethical principles one of two ways: either as a filter to avoid wrong-doing, or as a foundation for doing what’s best. Those in filtering mode focus on compliance, whereas boards with an ethical foundation use principles and values as the springboard for the tougher debate needed to unlock the significance of every decision.

The Directors College Code of Ethics has been designed as an infrastructure for governance. It not only provides an immediately accessible methodology for ethical problem solving by directors. It also serves as the foundation for boards to develop the habits and culture that make them future-ready, and future-responsible.

3. The Pledge and The Promise

In keeping with its original formulation over a decade ago, the mnemonic for the Directors College Code involves 5 D's. As detailed below, each stage in the ethical process activates a specific commitment, with corresponding behaviours:

Ethical Process	Ethical Commitment	Behaviours
Discovery	To provide oversight in the true sense of the word, interpreting future needs, threats, or opportunities, so as to prepare the organization to thrice on behalf of all its stakeholders.	• To show a bias for learning, looking ahead, seeking new knowledge • To be self-aware of personal strengths and weaknesses • Open-mindedness, fuelled by curiosity, with the willingness to learn from others, and innovate with them
Dialogue	To forge understanding by carefully listening to different views, encouraging debate and disagreements to honestly identify what's at stake, and to generate viable alternatives.	• Listening carefully, and communicating with clarity • Welcoming diversity of thought • High tolerance for ambiguity, keeping a positive and creative perspective while facing complex issues and multifaceted implications
Discernment	To give difficult issues appropriate deliberation, diagnosing both the material implications of a decision, and as a test or proof of integrity.	• Conceptual thinking – adding insights and foresight to oversight • Independent critical thinking, free of bias or threat • Effective judgment, linking cause with effect • Standing on ethical principle for the sake of personal integrity and organizational trust

Decision	To speak with one governing voice, exercising the checks and balances from factoring diverse claims into the board's best judgment.	• Taking charge together, while challenging assumptions or tendencies for "group-think" • Applying integrity to meet societal norms of trustworthiness • Oriented to resolving conflicts, realizing outcomes of justice from shared purpose
Due-Diligence	To create the conditions for sustainable success, by encoding new learning and transferring knowledge collaboratively to stakeholders.	• Political astuteness to overcome resistance to change and forge win-win • Engaging stakeholders to influence and impact outcomes • Following-up and following through, to monitor social and ethical impacts, as well as performance

4. How to use the Code:

Codes are important statements of commitment, providing orientation and guidance. However, as the research shows, the efficacy of such codes is limited or even counterproductive when applied as a checklist. The key is to use codes to develop a culture of responsibility – fearlessly questioning assumption, and insisting that the best way forward is also the right one.

To foster such culture in the boardroom, directors can use this code:

- As an input to planning, analyzing ethical as well as strategic strengths, weaknesses, threats and opportunities (SWOT);
- For methodically and consistently testing crucial decisions;
- Setting recruitment and performance criteria for the CEO;
- Establishing metrics for auditing organizational and board ethics;
- Convening board-level engagement with stakeholders;
- Evaluating board and director ethical performance, and ethical development needs;
- Narrating board decisions by connecting them to the organization's founding purpose, vision and values.

BOARD LEADERSHIP

POLICY GOVERNANCE IN ACTION

John & Miriam Carver

EXECUTIVE COEDITORS

NUMBER 78, MAR.–APR. 2005

How are board members' legal obligations met in a Policy Governance framework?

The Legal and Fiduciary Duties of Directors

by Jim Hyatt and Bill Charney

Board members generally recognize that they have "legal duties" but rarely have even the most basic knowledge of what these responsibilities are. In today's competitive environment, such a lack of understanding involves enormous risk. Unprecedented headlines about boardroom debacles, shareholder lawsuits being heard in jurisdictions previously considered favorable to corporate interests, and the passage of the Sarbanes-Oxley Act and widespread anticipation of similar legislation affecting the nonprofit sector have raised many new questions about Policy Governance and how it might help boards and board members fulfill their legal duties. In this article, Jim Hyatt and Bill Charney provide a primer on these basic responsibilities.

IF, AS JOHN CARVER ASSERTS in his article in this issue, "proper leadership requires a board to accept and even accentuate its accountability for organizational performance, circumstances, activities, and status," how does a board weigh payoffs in organizational performance against potential liability? What standards will apply to board actions and decisions should they turn out poorly? Where does the board look for guidance as it navigates among the myriad issues confronting any modern enterprise?

As servant-leaders on behalf of the ownership, boards should not overlook common sense. If the decision the board is contemplating would cause embarrassment when viewed in a public spotlight or on the pages of the local newspaper, the board probably shouldn't adopt it. Consultation with legal counsel is another obvious place to turn, if these advisers are competent in the particular field of law relevant to the decision at hand.

But what principles underlie the legal questions pertaining to the litany of decisions a board is called on to make?

All boards, be they for profit or nonprofit, are subject to several underlying

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ALSO IN THIS ISSUE

ON A PERSONAL NOTE

POLICY GOVERNANCE AND THE LAW

by John Carver

THIS ISSUE OF *Board Leadership* and the next focus on legal aspects and implications of the Policy Governance model. Although *Board Leadership* must disclaim any pretension to giving legal advice, the opinions of the lawyers and others in these issues may nonetheless be useful as boards consider their legal obligations.

It is obviously wise for board members to check the legality of their governance practices carefully, in terms of both what they do and what they fail to do. Consequently, it is unusual for a board *not* to ask whether governance behavior built on Policy Governance is unlawful or unnecessarily exposes it to liability. Boards also sometimes worry about the public's or other observers' opinions about their practices. Because that is a political matter rather than a legal one, it is not covered in these special issues.

We have found it useful to divide boards' legal concerns into two parts,

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Fiduciary Duties

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principles that have evolved over time into a series of related duties. Many directors are generally familiar with concepts such as the duty of care and the duty of loyalty and have a rough idea as to their meaning. In both the Canadian and American systems of jurisprudence, these duties derive primarily from our heritage of English common law, though these concepts find similar expression in many other systems of law around the world. These duties seem very broad and general in scope at first reading, much like a "global" policy statement in any of the four Policy Governance categories. Their application, however, finds more specific expression in the particular facts and circumstances of a case as the judge or jury assesses whether the board's course of decisions and actions was appropriate. In doing so, these "triers of fact" look to prior cases to see what other courts had to say under similar circumstances.

As the legal principles evolve, bear in mind that *standards of appropriate behavior also change over time.* For example, prior to the rash of corporate scandals involving Enron, WorldCom, Tyco, and their ilk, board audit committees conducted more cursory reviews of financials, and meetings with independent auditors were much shorter in length and narrower in scope than they are today. Since the passage of the Sarbanes-Oxley Act in 2002, billions of dollars have been spent across the United States implementing the systems and controls now required by law. Audit meetings that formerly ran for a few hours now extend all day or into the next as directors scrutinize corporate statements and question both management and auditors closely. (Bear in mind that before or after Sarbanes-Oxley, this scrutiny has been and generally continues to be conducted in the absence of *any* prestated criteria.) What has transpired in the world of public companies as a result of Sarbanes-Oxley is now finding its way into the "best practices" of private and nonprofit organizations as well.

This is but one obvious example of how the duty of care has found a more explicit expression in today's boardrooms, but there are others. In fact, the line is moving all the time as cases wend their way through the court systems and government increasingly prescribes appropriate conduct. The overriding issue of concern to Policy Governance practitioners is that these efforts also acknowledge and incorporate principles of sound governance. Boards that apply Policy Governance principles find that they can not only meet but actually exceed today's legal standards. Policy Governance boards can have their cake and eat it too!

With this in mind, let us examine the general principles of board conduct, these fiduciary duties, in more detail. The first question to ask is, why are they "duties"? Why not simply call them "principles"? The answer lies in the law of negligence.

In a legal action against a director or directors for negligence, a plaintiff must show that the director owed the plaintiff a duty, that the director breached that duty, and that the plaintiff has suffered some foreseeable loss as a result of this breach. Absent the existence of a duty, the claim will not be heard. A potential plaintiff claiming that the board "wasted corporate assets," for example, must first describe the duty or duties the board owed before proceeding to the facts of the case. Here's where a plaintiff will begin.

The Duty of Care

State and provincial statutes in the United States and Canada have codified the duty of care. The language may vary slightly, but the elements are the same: a director's duties shall be discharged in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner that the director reasonably believes to be in the best interests of the corporation (its shareholders, owners, or other stakeholders).

Exercise of the duty of care takes several forms, depending on the particular circumstances.

1. *Active participation.* A director must actively participate in the governance of the organization. Policy Governance systematizes such functions as linking with ownership, setting appropriate policies, effective delegation, and monitoring and evaluation of performance against criteria.
2. *Committees.* A board may delegate some of its authority to committees to support its work, but the board remains responsible for all committee activity. To the extent that one or more committees help the board perform its governing tasks more effectively, the board as a whole is more able to meet its duty of care.
3. *Board actions.* When present at a meeting, a director is presumed to have agreed to actions taken by the board unless (a) the director objects to the lawfulness of the meeting itself (it was improperly called or convened) *and doesn't participate* or (b) the director either votes against the action or is prohibited from voting due to a conflict of interest.
4. *Minutes of meetings.* Written minutes should be taken at every board meeting. The minutes should accurately reflect actions taken by the board.
5. *Books and records.* A director should have general knowledge of the books and records of the organization, including its financial statements, as well as its operations. The organization's articles, bylaws, accounting records, voting agreements (if any), and minutes must be made available to members and directors who wish to inspect them for a proper purpose.
6. *Accurate record keeping.* A director should ensure that the organization's records and accounts are accurate. This may include regular audits by an independent auditor but should at least require a system of proper internal controls.
7. *Trust property.* A director has the duty to protect, preserve, invest, and manage the corporation's property and to do so in a manner consistent with donor restrictions and legal requirements. Directors of charitable trusts are held to a higher standard of care than those of other organizations.
8. *Resources.* A nonprofit corporation director must ensure that the organization has adequate resources to enable it to further its charitable

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Fiduciary Duties

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mission. Boards may choose to delegate all or part of its responsibility for this or to make fundraising an extension of their governance role.

9. *Investigations.* A director has a duty to investigate warnings or reports of officer or employee theft or mismanagement and in some situations to report misconduct to the appropriate authorities.

Policy Governance and the Duty of Care

Policy Governance *systematizes* the principles and accountabilities that lead to fulfillment of the duty of care. While directors have these responsibilities as individuals and as a group, Policy Governance clarifies that no authority is vested in individual directors unless explicitly authorized by the board, and it ensures that a board clearly explains its manner of delegation to officers, committees, employees, and others.

The Duty of Oversight

An aspect of the duty of care is the duty of oversight. Breach of the duty of oversight can cause liability if the board fails to act in circumstances in which due attention would have prevented corporate misconduct, violation of the law, or a corporate loss. To prevail on a lack-of-oversight claim, a plaintiff must show that the directors knew or should have known that violations of law or improper conduct were occurring, that the directors took no steps to prevent or remedy the misconduct, and that their failure proximately caused the losses.

Breaches of the duty of oversight typically occur in the following situations:

- When directors abdicate their fundamental functions, as when directors fail to supervise and monitor management and fail to be informed of the corporation's business, affairs, and activities
- When directors are informed of employee wrongdoing or of potential violations of law and fail to make an inquiry into and response to the situation
- When directors delegate corporate managerial responsibility to an untrustworthy officer or employee and fail to monitor such officer or employee.

Policy Governance and the Duty of Oversight

The principles of addressing policies at the broadest levels first and proscribing operational means to address unacceptable actions make it possible for boards to have comprehensive organizational oversight, addressing *all* aspects of corporate performance. Policy Governance boards delegate specific authority, such as the chief governance officer's authority to ensure the integrity of the board's performance and the chief executive officer's authority over operations. With the board maintaining authority to "monitor any policy at any time," fulfillment of the duty of oversight is simply a matter of exercising authority as explicitly set forth in board policies.

With the board maintaining authority to "monitor any policy at any time," fulfillment of the duty of oversight is simply a matter of exercising authority as explicitly set forth in board policies.

The Duty of Loyalty

Traditionally, directors have an absolute duty of complete, undivided loyalty to the organization. This means that directors should avoid using their position or the organization's assets in a way that would result in pecuniary or monetary gain for themselves or for any member of their family. A director should put the good of the organization first and avoid engaging in transactions with the organization from which the director will benefit.

The board should have a written policy on conflicts of interest, precluding conflicting transactions, diversion of corporate opportunity for personal gain, and loans to directors or their families or businesses.

Policy Governance and the Duty of Loyalty

Policy Governance boards, by defining "ownership," make explicit the population they represent and on whose behalf they serve. This enables board members to clarify to whom their loyalty does and does not lawfully lie. Conflict-of-interest policies are set forth, to varying degrees of explicitness, in the code of conduct and governance process sections of a Policy Governance board's policy manual.

The Business Judgment Rule

The business judgment rule provides that the decisions of a corporation's board of directors will not be second-guessed unless a decision is self-interested (a violation of the duty of loyalty) or the board acted in an imprudent manner (a violation of the duty of care). Said another way, courts will not second-guess directors' business decisions if the directors act on an informed basis and in good faith.

The Business Judgment Rule Versus Inaction Under the Duty of Oversight

The law draws a distinction between two scenarios: deciding there is no problem and ignoring a problem. In the first case, when a board considers a situation and makes a decision that results in a loss, the business judgment rule will protect a board's decision if the board acted in good faith and properly informed itself in the process. The protection of the rule is not determined by the results of the decision but by the quality of the process employed. For example, when a board conducts a proper internal investigation into a matter and either takes action or consciously decides that action is not necessary, that decision, even if wrong, will be protected by the business judgment rule.

By contrast, when a loss originates from the board's failure to consider a problem, there has been no process, there is no decision to protect, and there is no recourse to the business judgment rule. Instead, directors may face liability for breach of the duty of oversight. Thus when directors are made aware, or should have been aware, of material improper conduct, violations of law, or other actions that could result in material harm to the organization, the duty of oversight demands that they investigate the matter and decide whether or not corrective action is needed.

The board may not take action in either case, but the results in the two cases are dramatically different. Therefore, the duty of oversight creates an incentive for boards to respond to potential indications of wrongdoing in order to gain the benefit of the business judgment rule.

Policy Governance and the Business Judgment Rule

Boards adhering to Policy Governance principles, such as those addressing loyalty to ownership and conflicts of interest, are unlikely to be judged as not acting in good faith. Further, the Policy Governance approach to board decision making (starting with the broadest level of all decision categories, adding specificity until willing to accept *any reasonable interpretation*, and employing a rigorous monitoring system) are unlikely to be judged as imprudent or grossly negligent. Therefore, the fulfillment of the duties of care and loyalty provides for protection under the business judgment rule.

The Duty of Obedience

Directors have a duty to follow the organization's governing documents (articles of incorporation, bylaws, and board-established governing policies), to ensure that the organization's purpose is carried out, and to ensure that funds are used for lawful purposes. Directors must also comply with state and federal laws that relate to the organization and the way in which it conducts its business. Examples would include the Internal Revenue Code, tax and financial filing requirements, withholding obligations, and applicable state and federal registration requirements.

Policy Governance and the Duty of Obedience

Governance commitment and governing style policies typically set forth a board's commitment to informed decision making. Explicit delegation of responsibility for governmental reporting and filing requirements is set forth, typically under the heading of financial condition and activities. A board fulfilling its commitment to orientation for new board members and continual board education will typically be seen as having systematically fulfilled its duty of obedience.

Acting in Good Faith

Standards of good faith may also often be found in governmental codifications. This example, from the Arizona Revised Statutes, Section 10-3830, Subsection B, is typical:

> **General Standards for Directors**
>
> In discharging duties, a director is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by any of the following:
>
> 1. One or more officers or employees of the corporation whom the director reasonably believes are reliable and competent in the matters presented.
> 2. Legal counsel, public accountants or other person as to matters the director reasonably believes are within the person's professional or expert competence.
> 3. A committee of or appointed by the board of directors of which the director is not a member if the director reasonably believes the committee merits confidence.
>
> A director is not acting in good faith if the director has knowledge concerning the matter in question that makes reliance otherwise permitted by subsection B unwarranted.

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Legal Concerns

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should govern with full awareness of the potential consequences of their policies. But they should not sacrifice the opportunities and benefits of effective governance just for the sake of reducing potential exposure to liability. Leading, by its very nature, involves risk. Leading well reduces but will never eliminate risk. And leading by means of risk avoidance is not to lead at all. ❑

Jim Hyatt is an attorney, a Policy Governance Academy graduate, and a consulting associate with Charney Associates. Bill Charney, also an Academy graduate, is a consultant and speaker on board governance and leadership. He cowrote, with Miriam Carver, The Board Member's Playbook *(Jossey-Bass, 2004). They may be contacted at jim@bcharney.com or bill@bcharney.com, respectively; through their Web site at www.bcharney.com; or by telephone at (303) 321-3190.*

Fiduciary Duties

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A director who is found not to have acted in good faith may not be entitled to indemnification under the organization's bylaws and may also be denied coverage under its directors and officers liability policy. Both documents should be checked in this regard.

However, many statutes, particularly for nonprofit corporations, protect directors by *presuming* that they fulfilled their duty of care, including acting in good faith. This places the burden on the plaintiff to overcome this presumption with clear and convincing evidence.

Conclusion

This brief outline of the fiduciary duties of directors is, by necessity, a very general introduction to a very complex subject. Boards should always consult with their counsel for a fuller examination of these duties and their application in their particular jurisdictions. ❑

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changes in the law, developed in a contemplative fashion, offer some escape from such disjointed progress. Absent the emergency atmosphere of crises, laws affecting governance might conceivably be grounded in conceptually coherent fundamentals rather than representing today's quick solution to concrete but ephemeral predicaments. The United States' Sarbanes-Oxley Act comes to mind, but other examples abound. Why are boards—those to whom governance is most dear—not leading the charge?

Consider, once again, public school boards. Taken together, the boards in a state or province have enormous political power with which to influence legislatures. That the law prescribes ridiculous practices, then, can be laid at the feet of school boards as well as legislators and regulators. Put simply, there is no excuse for the law to impede or even fail to encourage the best possible governance. That it does so is an indictment not only of lawmakers and regulators but also of associations of boards that do not see to it that corrections are made.

Policy Governance was not designed as a method to govern as responsibly as the law allows. It was designed to govern as responsibly as human possibility allows. Where there is conflict between the law and the demands of good governance, the law should change, not the governance. Before the law changes, however, boards are obliged to observe it. But if boards' governance commitment stops passively at the boardroom door, they fail in their duty to maximize owner accountability.

This Issue

We focus in this issue on the first of the challenges noted above, for boards must feel confident about the first before they can be powerful with the second. How are boards to deal with conflicts that either exist or are feared to exist between practicing Policy Governance and complying with laws and regulations? To address this question, Miriam Carver and I, along with our editor Ocean Howell, have accepted the help of Jim Hyatt and Bill Charney of Charney Associates in assembling and producing what we hope are helpful articles. We are very grateful for the able assistance provided by these two colleagues. This issue leads with Hyatt and Charney's extended piece outlining the legal and fiduciary responsibilities of board members. In a brief article, Hyatt and Charney consider what types of Policy Governance policies have tended to generate legal concerns. In another piece, I argue that a board must endeavor to avoid liability but must always remember that its first priority is to represent its ownership. ❑

BOARD LEADERSHIP

POLICY GOVERNANCE IN ACTION

JOHN CARVER AND MIRIAM CARVER,

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JOHN CARVER, PH.D., is widely regarded as the world's most provocative authority on the governing board role. His Policy Governance® model has been called the only existing theory of governance. Miriam Carver is a consultant, author, and authoritative source on the Policy Governance model.

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Sustainability: Environmental and Social Issues Briefing

QUESTIONS FOR DIRECTORS TO ASK

Julie Desjardins, CA • Alan Willis, CA

DIRECTORS' BRIEFING SERIE

Sustainability: Environmental and Social Issues Briefing

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Preface

The Risk Oversight and Governance Board of the Canadian Institute of Chartered Accountants commissioned this briefing to assist boards in discharging their responsibility for the oversight of environmental and social issues that may have risk, strategy and financial implications for the companies they serve. The issues addressed in this document support and build upon two previous CICA briefings for directors, one on climate change and the other on long-term performance. This document covers the business impacts and governance challenges associated with the environmental and social issues that are part of today's business landscape.

The board of directors has several key oversight responsibilities in relation to opportunities and risks associated with the environmental and social issues that companies face today. Board awareness and attention are essential to keeping abreast of the fast-evolving business impacts of these issues.

This briefing highlights the environmental and social issues directors need to consider, provides an understanding of the potential business implications of these issues and offers questions that directors might ask in discharging their oversight responsibilities.

The Risk Oversight and Governance Board acknowledges and thanks the members of the Directors Advisory Group for their invaluable advice, the authors Alan Willis, CA and Julie Desjardins, CA and the CICA staff who provided support to the project.

Giles Meikle, FCA
Interim Chair, Risk Oversight and Governance Board

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Executive Summary

Environmental and social issues are increasingly impacting the bottom line and future prospects of companies in many industries. They can present both opportunities and risks and can have important implications for strategy, competitiveness, risk management, stakeholder relations and business resilience.

A recent survey of global chief executive officers (CEOs), whose companies are members of the Global Compact, reported that CEOs

> "are starting to see the shape of a new era of sustainability coming into view…while environmental, social and governance challenges continue to grow and CEOs wrestle with competing strategic priorities, sustainable business practices and products are opening up new markets and sources of demand; driving new business models and sources of innovation; changing industry cost structures; and beginning to permeate business from corporate strategy to all elements of operations."

In considering the implications of this changing landscape for boards, this Briefing sets out the ways in which key environmental and social trends and issues, stakeholder trust and relationships and environmental and social laws and regulations impact a company's competitiveness, risk profile and resilience.

The many environmental and social issues that companies may need to consider include water scarcity and quality, climate change, energy, food safety and production, human rights, corruption and poverty, to name a few; these issues are often interconnected and interdependent. For example, food production to support population growth requires water and energy; water extraction and distribution requires energy; energy production requires water.

These environmental and social issues in combination with today's complex business structures, supply chains and customer channels, highlight the importance of attentiveness to stakeholders. For most companies, there are six primary categories of stakeholders with whom positive relationships are important for long-term success: investors and lenders, customers, employees, suppliers, communities and First Nations, and governments. Non-governmental organizations (NGOs) can also have significant impacts on companies as well as their stakeholders.

Mainstream institutional investors, a particular group of stakeholders, have a longer-term investment horizon and are expressing a growing interest in the impact of environmental and social issues on company performance and prospects. In particular, they are seeking a better understanding of how companies are impacted by environmental and social issues in their businesses and the extent to which these issues are factored into strategic planning and risk management.

Understanding how environmental and social issues impact stakeholders and understanding stakeholders' expectations about environmental and social issues can contribute valuable insights for the identification of strategic opportunities and corporate risks. Positive stakeholder relations build trust, increasingly essential for competitiveness and resilience.

In building and retaining stakeholder trust, transparency is a key issue. Embracing the transparency opportunities offered by social media can increase the flow and timing of information and communications between and among a company's stakeholders and the company itself. Social media can also, however, represent a significant source of reputational risk or even threaten a company's ability to operate.

Strategic management of social media is therefore increasingly important. Companies are developing processes and protocols for the use of, and response to, social media. Directors are more and more called upon to provide oversight of management's use of, and attention to, social media.

The regulatory landscape related to environmental and social issues presents risks and costs for many companies. It can also open up competitive opportunities for companies that are vigilant in monitoring, anticipating and responding to changes in this landscape.

Taking into account key environmental and social issues, the importance of building stakeholder trust and relationships and the evolving environmental and social regulatory landscape, this Briefing offers the following questions for directors to consider asking themselves or management, as appropriate:

General

1) How has management identified and assessed the environmental and social issues most relevant and significant to the company (e.g., stakeholder consultation, investor inquiries, management assessment of risk and materiality, industry studies) and are we satisfied with the process and the outcome of that assessment?

Strategy

2) What key assumptions about environmental and social issues, stakeholder expectations and the regulatory landscape have been made in developing the strategic plan or related scenarios? Are these assumptions realistic and do we agree with them?
3) What competitive opportunities has management identified to take advantage of key environmental and social issues, stakeholder expectations and the regulatory landscape and do we agree?
4) To the extent that the business strategy includes plans for major capital projects, mergers, acquisitions and/or divestitures, are we satisfied that such plans and related due diligence processes take into account relevant environmental and social issues, stakeholder relationships and regulatory requirements?

Risk and Risk Oversight

5) Do we have the information we need to satisfy ourselves about the appropriateness of management's assessment of the impact of key existing or potential government regulations applicable to environmental and social issues in jurisdictions in which the company operates?
6) Are we satisfied that management has developed appropriate risk management strategies to address the impact of environmental and social issues on supply chains?
7) Are we satisfied that management has devoted sufficient resources to preventative maintenance and to disaster planning?
8) What environmental or social issues have institutional investors, lenders, communities, First Nations, foreign or domestic governments and/or NGOs raised with management and why? Are we satisfied with management's responses?
9) Are we satisfied with management's assessment of the possibility of current or future actions, legal or otherwise, against the company related to environmental or social actions or inactions?

10) What is management's assessment of the impact of environmental and social issues on customer demand and do we agree with the underlying assumptions?
11) Are we satisfied that management has committed sufficient financial and non-financial resources to building effective stakeholder relationships?

Financial Performance

12) Are we satisfied with management's assessment of the financial impacts of key environmental and social issues and related regulations on performance, liquidity and financial condition?
13) Are we satisfied that the company has the financial capacity to withstand and recover from a disaster, including a combination of risks occurring at the same time?
14) Are we satisfied that management is tracking the most appropriate environmental and social metrics and key performance indicators and assessing their relationship with financial performance?

External Reporting

15) What assessment has management made of the materiality to investors of information about environmental and social issues? Are disclosures made in the Annual Information Form (AIF), Management's Discussion & Analysis (MD&A) and/or financial statements consistent with this assessment?
16) What is management's assessment of how our company's mandatory and voluntary public disclosures about environmental and social issues compare with those of competitors and on what basis has it made that assessment?
17) How has management ensured that information reported in corporate websites, social media, or voluntary reports is consistent with that provided in government filings and continuous disclosure filings with securities regulators?

Reliability of Information

18) Are we satisfied that management has implemented adequate systems, controls and processes to support the compilation of key performance metrics and indicators about environmental and social issues that are appropriate for reliably tracking performance, setting targets, benchmarking and external reporting to capital markets and governments?

Board Structure and Responsibilities

19) Have we established a governance structure that enables the board to oversee the management of environmental and social issues and their integration throughout the organization?
20) Does the board composition include directors with appropriate knowledge and expertise to assess management's decisions about environmental and social issues?
21) Does the company's code of conduct appropriately reinforce attention to relevant environmental and social issues throughout the organization?
22) How does the company's executive compensation plan support the integration of relevant environmental and social issues into decision making and performance throughout the organization?
23) Overall, in acting in the best interest of the corporation, have we established an appropriate culture and tone at the top to ensure that relevant environmental and social issues are considered and integrated in decision making and actions throughout the organization?

Competitive Advantage, Risk and Resilience

Long-term business success depends on effectiveness in identifying opportunities and managing risks to create competitive advantage and shareholder value. Increasingly, best-in-class companies are nimble and resilient in adapting to changed circumstances, both anticipated and unforeseen. Amongst other things, successful companies evaluate environmental and social issues in seeking competitive advantage, managing risk and building resilience.

> "Many companies are increasingly recognizing that they need to address the environmental, social and broader economic impacts[1] of their operations and performance in order to achieve their long term business and financial goals."[2]

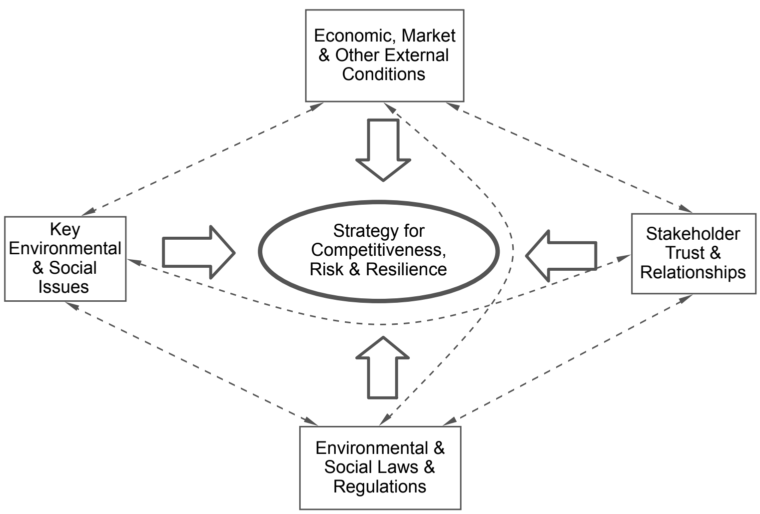
A recent survey of global chief executive officers (CEOs),[3] whose companies are members of the Global Compact, reported that CEOs

> "are starting to see the shape of a new era of sustainability[4] coming into view...while environmental, social and governance challenges continue to grow and CEOs wrestle with competing strategic priorities, sustainable business practices and products are opening up new markets and sources of demand; driving new business models and sources of innovation; changing industry cost structures; and beginning to permeate business from corporate strategy to all elements of operations."

Before considering the implications of this changing landscape for boards, it is useful to appreciate the ways in which key environmental and social trends and issues, stakeholder trust and relationships and environmental and social laws and regulations impact a company's competitiveness, risk profile and resilience.

The diagram below acknowledges that economic, market and other external conditions have always impacted competitiveness, risk and resilience. The diagram also shows that key environmental issues, stakeholder trust and relationships and an evolving environmental and social legal and regulatory landscape are interconnected and impact strategy for competitiveness, risk and resilience.

Interconnected External Forces Impacting Corporate Strategy for Competitiveness, Risk & Resilience



1 Companies use a number of terms in speaking about these impacts and related initiatives, including sustainability, corporate social responsibility, triple bottom line, sustainable development, ESG (environmental, social and governance), corporate sustainability and corporate citizenship.

2. Canadian Institute of Chartered Accountants, *Climate Change Briefing: Questions for Directors to Ask*. (Toronto: CICA, 2009).

3 Peter Lacy and others, eds., *A New Era of Sustainability: UN Global Compact—Accenture CEO Study 2010*. (Dublin: Accenture, 2010). www.unglobalcompact.org/docs/news_events/8.1/UNGC_Accenture_CEO_Study_2010.pdf

4 United Nations, *Report of the World Commission on Environment and Development: Our Common Future*. (New York: United Nations, 1987). (Also known as the Brundtland report.) www.un-documents.net/wced-ocf.htm

Key environmental and social issues, stakeholder trust and relationships and environmental and social laws and regulations are discussed below.

In the words of the Executive Chairman of a large Canadian food company:

"Although challenged by economic circumstances and increasingly competitive forces, we are making good progress while upholding our core values and embedding a firm commitment to corporate social responsibility. Our goal is to meet the needs of today while preparing to address the social impacts facing Canada in the future.

There are various long-term trends converging on the world of food in a way that will profoundly change almost everything about the way we eat:

- **Food safety** concerns are rising with the growing number of food recalls. Canadians are better educated, and care more about food sourcing and safety issues than ever before.
- **The health of Canadians** is increasingly linked to what they eat. Diet is a driving factor in four leading chronic health conditions—heart disease, obesity, diabetes and cancer. These conditions are placing an unsustainable burden on our health care system.
- **Population growth** is raising concerns about the availability and affordability of food around the world. Fish stocks are in decline, farmland is being converted into industrial uses and productive land is being bought up. Will food be affordable in this environment? How will rising food prices, availability, land use and population growth affect Canadians' food supply and diet? We fully expect that population-driven food security issues will intensify over the next decade or two.
- **Climate change** also affects the availability and affordability of food supplies. For example, agricultural production in California is facing serious threats from a shortage of water. We need to understand what is likely to happen to Canada's agricultural heartlands. Emissions trading for the reduction of carbon may impact food production...."

This Executive Chairman went on to say that by embedding corporate social responsibility into its core business strategy, his company is helping tackle these complex issues in ways that enable the company to compete successfully today while preparing for the world of tomorrow.[5]

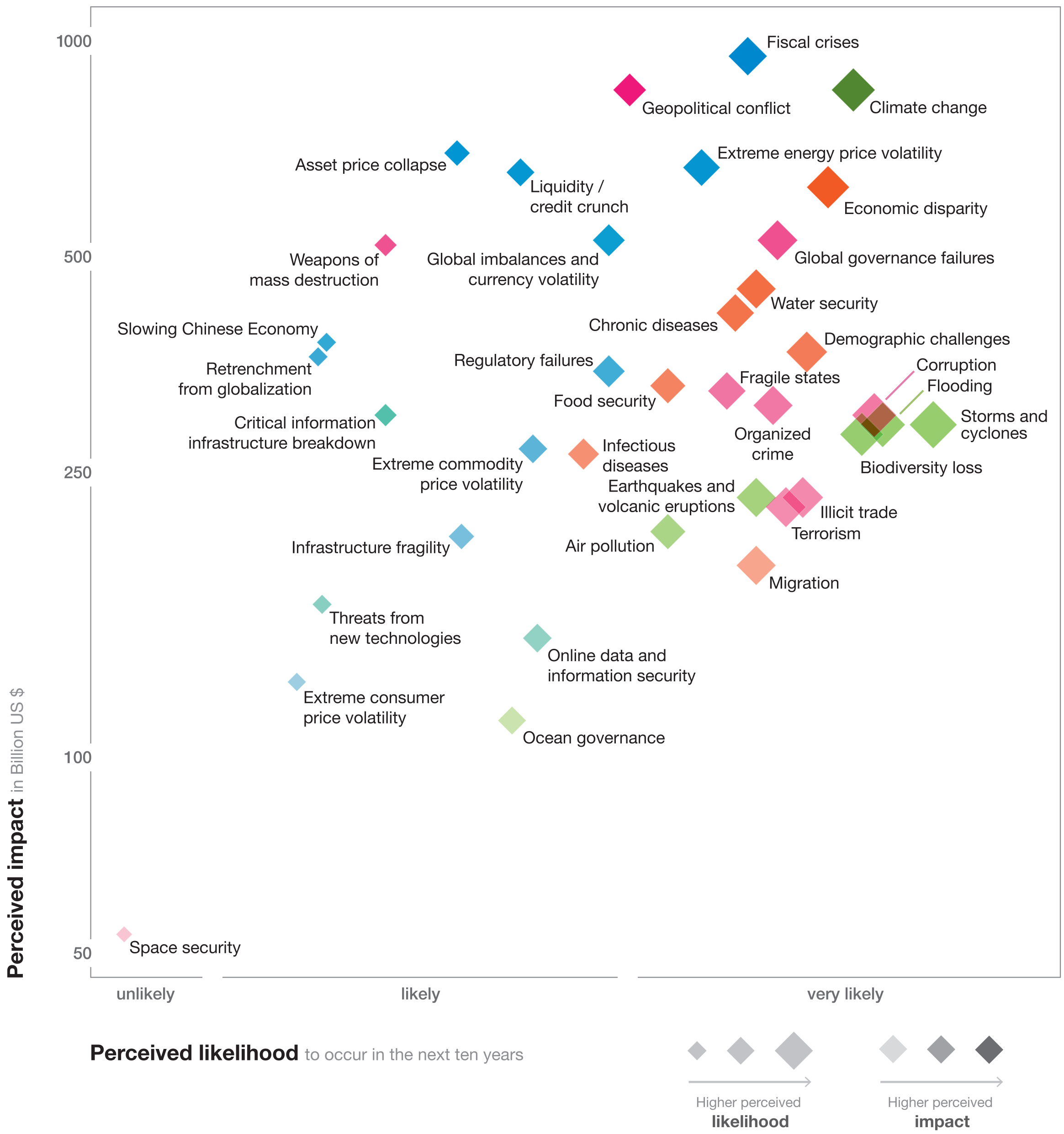
Key Environmental and Social Issues

Environmental and social issues can have significant impacts on the performance and prospects of companies. The likelihood and magnitude of impact of key environmental and social issues will differ by industry and by company. Many of these issues are interconnected and interdependent.

The landscape of environmental and social issues and risks important to business is depicted in the *Global Risks 2011 Sixth Edition* report of the World Economic Forum as follows:

5 Loblaw Companies Limited, *The Way We Do Business: 2009 Corporate Social Responsibility Report.* (Toronto: Loblaw Companies Limited, 2009). www.loblaw.com/Theme/Loblaw/files/en/csr_2009/index.htm?noexit=true

Figure 1 | Global Risks Landscape 2011: Perception data from the World Economic Forum's Global Risks Survey



Economic Risks

Asset price collapse
Extreme commodity price volatility
Extreme consumer price volatility
Extreme energy price volatility
Fiscal crises
Global imbalances and currency volatility
Infrastructure fragility
Liquidity/credit crunch
Regulatory failures
Retrenchment from globalization
Slowing Chinese economy (<6%)

Environmental Risks

Air pollution
Biodiversity loss
Climate change
Earthquakes and volcanic eruptions
Flooding
Ocean governance
Storms and cyclones

Societal Risks

Chronic diseases
Demographic challenges
Economic disparity
Food security
Infectious diseases
Migration
Water security

Geopolitical Risks

Corruption
Fragile states
Geopolitical conflict
Global governance failures
Illicit trade
Organized crime
Space security
Terrorism
Weapons of mass destruction

Technological Risks

Critical information infrastructure breakdown
Online data and information security
Threats from new technologies

Drawing upon the global risk landscape portrayed above, the following summary sets out some important environmental and social issues that companies may wish to consider in identifying those most relevant to them. In assessing the relevance of these environmental and social issues, it is important to appreciate their interconnectedness[6] and how they can give rise to business opportunities as well as risk.

15 Key Environmental and Social Issues[7]

- Water Scarcity and Quality
- Climate Change
- Energy
- Air Pollution
- Waste and Waste Management
- Biodiversity Loss
- Forest and Soil Degradation
- Earthquakes and Volcanic Eruptions
- Population Growth, Urbanization and Demographics
- Food Production and Safety
- Poverty
- Human Health and Safety
- Human Rights
- Corruption
- Social Unrest

Water Scarcity and Quality

Some industries depend on a supply of water for their operations (e.g. extractive industries, beverage producers, agriculture growers, bottlers, semi-conductor producers). Moreover, employees and communities require potable water. In Canada, water has been relatively inexpensive to date, though many argue that this needs to change.[8] A price increase would present significant social and business consequences and opportunities for technological innovation.

Climate Change

The need to reduce greenhouse gas emissions and adapt to the effects of climate change[9] impacts companies in most industries.[10] Business impacts may include access to affordable insurance, availability and security of energy, and the need for technological innovation and renewable energy solutions. Transportation routes for raw materials and product may also be affected. A number of larger greenhouse gas emitting companies have begun to put a "shadow" price on carbon in their strategic and capital investment planning.

There are particular climate change related issues for the northern areas of Canada. Emerging issues include: ground pollution and building code issues with the melting of the permafrost, length of the operating season where ice roads are required and new issues of security and sovereignty of land and water.

Energy

Energy availability, cost, security, production and transportation are all affected by environmental and social considerations that impact all Canadian companies and stakeholders.

6 John E. Caldwell, *A Framework for Board Oversight of Enterprise Risk: Draft for Exposure.* (Toronto: CICA, 2010). www.rogb.ca/risk-oversight-framework/item45407.pdf

7 These issues have been identified by the authors using sources listed in the Appendix, including: World Economic Forum, *Global Risks 2011 Sixth Edition*. (Geneva: World Economic Forum, 2011). http://riskreport.weforum.org/

8 Steven Renzetti, *Wave of the Future: The Case for Smarter Water Policy.* (Toronto: C.D. Howe Institute, 2009).

9 Referring to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) at the UN Summit on Climate Change in September 2009, IPCC chair Dr. Pachauri stated that "Climate change is already resulting in an increase in the frequency, intensity and duration of floods, droughts and heat waves …. Climate change, in the absence of mitigation policies, would in all likelihood lead to … increase in frequency of heavy precipitation (and) increase in tropical cyclone intensity." www.ipcc.ch/pdf/presentations/rkp-statement-unccs-09.pdf

10 *Climate Change Briefing: Questions for Directors to Ask.*

Energy-related environmental and social issues offer opportunities for technological innovation and investment for many companies as the cost of conventional energy sources rises and the search for alternative energy sources expands. There are also opportunities to reduce costs by reducing energy demand.

Air Pollution

The impact of air pollution on human health, agriculture, forests and lakes has led governments to impose regulations to control the quantity of pollutants emitted into the environment. These regulations can impact the timing of approvals for new facilities and operations. They also, at times, trigger new technological innovations to meet more stringent emission standards whether from stationary or mobile sources.

Waste and Waste Management

Product design and packaging, production processes and waste disposal practices have direct bottom line impacts. There is an increasing call for "doing more with less"—a growing recognition that natural resources are not infinite and therefore there is a need to consume less without jeopardizing product quality.

Reducing material usage, packaging and waste and improving waste management practices can lead to cost savings and can present opportunities for innovation (e.g., tailings ponds in extractive industries). Recycling of products and components is increasingly important from regulatory and consumer perspectives and can lead to new business opportunities for some industries and companies.

Biodiversity Loss

Stakeholders in many industries and regions are paying greater attention to the extent that industrial practices impact biodiversity[11] (e.g., in extractive industries).[12] Biodiversity loss impacts the productivity and availability of resources in a variety of industries (e.g., fisheries, forestry, agriculture, pharmaceuticals, beverage).

Forest and Soil Degradation

Deforestation and deterioration of forests impact habitats, biodiversity and air and soil quality, particularly affecting lumber and pulp and paper companies. Further, soil degradation harms agricultural productivity. Sustainability of forest management practices can be an issue for customers and supply chain policies.

Earthquakes and Volcanic Eruptions

Beyond the site-specific impacts on people, ecosystems and infrastructure, earthquakes and volcanic eruptions can also impact supply chains and travel plans of employees. While earthquakes and volcanic eruptions have always occurred as natural phenomena, with globalization and the interconnectedness of economies, the reach of their impacts on business is more extensive today.

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11 Biodiversity is the degree of variation of life forms within a given ecosystem. Greater biodiversity usually implies greater health and resilience of the ecosystem.

12 United Nations, *Demystifying Materiality: Hardwiring Biodiversity and Ecosystems into Finance.* CEO Briefing. United Nations Environmental Programme, Financial Initiative Series. (New York: United Nations, 2010). www.unepfi.org/fileadmin/documents/CEO_DemystifyingMateriality.pdf

Population Growth, Urbanization and Demographics

Significant population growth in developing countries provides growing export markets, as well as new sources of low-cost labour. Urbanization brings with it expanding demands for energy and infrastructure and concerns about air quality. The demographics of populations, such as ageing, impact workforces, markets, health care and pensions.

Urbanization and population growth also impact the availability of agricultural land and demand for food and call for productivity improvements in agricultural practices.

Affluent urban societies drive consumerism. In the short term, this may open up larger or different markets. Sometimes, however, high debt levels are supporting consumer demand, impacting the sustainability of long-term industrial growth.

Food Production and Safety

Providing enough food to sustain growing populations is a concern of many developing nations—many countries are turning to Canada as part of the solution to this challenge. With increasing concerns about the safety of food and its processing, new industries have arisen to meet the growing demand for more natural products.

The growing demand for food, coupled with food safety concerns, climate change, water scarcity and energy cost issues, contributes to forest and soil degradation as well as an expectation of increasing food prices. Increased food prices impact disposable income.

Poverty

Poverty impacts the demand for and pricing of products (e.g., consumer product companies, telecommunications, pharmaceuticals, automobiles). It can also impact the availability of an educated and healthy work force.

Companies operating in poor areas may find that investing in improving community infrastructure reduces risks related to lack of appropriate workforce, inadequate transportation and inability to earn or maintain a social license to operate.

Human Health and Safety

Many companies require healthy communities as a source of a strong and productive workforce. Workplace safety of employees and contractors has long been recognized as a priority in many industries; this is reflected in government regulations in many jurisdictions.

Companies increasingly recognize the business case for addressing disease prevention, treatment and response, e.g., issues such as obesity, AIDS, healthy lifestyles, pandemics. Some companies are developing new products and service in response to these issues.

Human Rights

Companies, including their contractors, are increasingly held responsible for unacceptable workplace and business practices that impinge on human rights,[13] whether directly or through their supply chains.

13 Amnesty International defines human rights as "basic rights and freedoms that all people are entitled to regardless of nationality, sex, national or ethnic origin, race, religion, language of other status." Amnesty International, *Human Rights Basics.* (London). www.amnestyusa.org/research/human-rights-basics

The standard definition of such rights is set out in the United Nations, *United Nations Universal Declaration of Human Rights*. (New York: United Nations, 1948). www.un.org/en/documents/udhr/

Consumers, communities, employees and other stakeholders are impacting corporate business practices regarding human rights and affecting a company's social license to operate, particularly given the power of the internet and social media.

Corruption

Companies are increasingly held accountable for the integrity of their practices in all countries in which they do business (e.g., through legislation such as the US *Foreign Corrupt Practices Act*, the UK *Bribery Act* or Canada's *Corruption of Foreign Public Officials Act*[14]). Canadian companies with international operations can be impacted not only by Canadian law but also by the laws of other countries in which they do business.

Failure to act with integrity can have significant, if not severe, financial consequences.[15] It can also impact corporate reputation and ability to operate.

Social Unrest

In addition to several of the issues mentioned above, other issues such as unemployment, religious conflicts, political instability and terrorism can contribute to social unrest. This, in turn, can create significant business and operating risks, including threats to facilities, infrastructure, supply chains, markets and workforce.

Stakeholder Trust and Relationships

Understanding how environmental and social issues impact stakeholders and understanding stakeholders' expectations about environmental and social issues can contribute valuable insights for the identification of strategic opportunities and corporate risks. Positive stakeholder relations build trust, increasingly essential for competitiveness and resilience.

The New York Stock Exchange Commission on Corporate Governance stated in September 2010 that, in addition to boards, management and shareholders:

> "…other corporate stakeholders have critical interests in the long term success of the corporation, including the corporation's employees who rely on the corporation to provide jobs and wages, the corporation's customers and vendors, as well as the communities in which the corporation operates and society at large.…"[16]

While there is considerable discussion among legal experts about the implications of the 2008 decision of the Supreme Court of Canada in the BCE case, directors are increasingly advised to demonstrate that they have considered the reasonable expectations of all stakeholders.

The complexity of today's corporations, and at times their ownership structures, makes building stakeholder trust challenging but essential. Engaging with stakeholders can help to identify opportunities for competitive advantage, while building trust, brand and resilience in times of difficulty; it can also help to identify risks.

14 In June 2011 the Canadian oil and gas company Niko Resources Ltd. pleaded guilty to a charge under this *Act* and was fined $9.5 million by the Alberta Court of Queen's Bench for bribery of a foreign official.

15 For example, on December 15, 2008, Siemens AG and three subsidiaries pleaded guilty to violating the US *Foreign Corrupt Practices Act* and agreed to a US $450 million fine from the US Department of Justice. In addition the company settled with the US Securities and Exchange Commission to disgorge $350 million, paid $450 million as a criminal fine to the US Department of Justice, and €395 million (about US $569 million) to the Office of the Prosecutor General in Munich, Germany.

16 New York Stock Exchange, *Report of the New York Stock Exchange Commission on Corporate Governance.* (New York: New York Stock Exchange, 2010). 24. www.nyse.com/pdfs/CCGReport.pdf

Directors play a leadership role in establishing an appropriate "tone at the top" regarding the company's dealings and relationships with its stakeholders. Board oversight of management's effectiveness in nurturing key stakeholder relationships is vital to developing and achieving strategic objectives, building stakeholder trust and promoting organizational resilience.

In building and retaining stakeholder trust, transparency is a key issue. A company's communication policy and disclosure practices reflect a company's values about transparency. Embracing the transparency opportunities offered by social media can increase the flow and timing of information and communications between and among a company's stakeholders and the company itself. Social media can also, however, represent a significant source of reputational risk or even threaten a company's ability to operate.

Strategic management of social media is therefore increasingly important. Companies are developing processes and protocols for the use of, and response to, social media. Directors are more and more called upon to provide oversight of management's use of, and attention to, social media.

For most companies, there are six primary categories of stakeholders with whom positive relationships are crucial to long-term success, competitive advantage and resilience:

- investors and lenders
- customers
- employees
- suppliers
- communities and First Nations
- governments.

Non-governmental organizations (NGOs) can also have significant impacts on companies as well as one or more of the above types of stakeholders.

Investors and Lenders

Access to affordable capital depends, among other things, on the quality of relationships with capital providers, both longer-term investors and lenders. Developing trust in a company's abilities and resilience to weather short-term financial performance fluctuations or difficulties depends on whether capital providers have confidence in the management and oversight of the company.

Mainstream institutional investors in Canada and around the world, because they have a longer-term investment horizon, are expressing a growing interest in the impact of environmental and social issues on company performance and prospects.[17] In particular, they are seeking a better understanding of how companies are impacted by environmental and social issues in their businesses and the extent to which these are factored into strategic planning and risk management.[18] Accordingly, they are increasingly looking for better disclosures about these issues.[19]

17 Some sovereign wealth funds, such as Statoil of Norway, include consideration of environmental and social issues in their investment policies and decision making.

18 The London-based international law firm Freshfields Bruckhaus Deringer offered legal opinions that there may be a legal obligation to incorporate environmental social and governance issues into institutional investment decision making and services. See: Freshfields Bruckhaus Deringer, *A Legal Framework for the Integration of Environmental Social and Governance Issues into Institutional Investment*. United Nations Environmental Programme, Financial Initiative Series. (New York: United Nations, 2005). www.unepfi.org/fileadmin/documents/freshfields_legal_resp_20051123.pdf

United Nations, *Fiduciary Responsibility: Legal and Practical Aspect of Integrating Environmental, Social and Governance Issues into Institutional Investment.* United Nations Environmental Programme, Financial Initiative Series. (New York: United Nations, 2009). www.unepfi.org/fileadmin/documents/fiduciaryII.pdf

19 Canadian Institute of Chartered Accountants, *Environmental, Social and Governance (ESG) Issues in Institutional Investor Decision Making.* (Toronto: CICA, 2010). www.cica.ca/research-and-guidance/mda-and-business-reporting/other-performance-reporting----publications/item41063.pdf

In recent years, there has been a notable increase in corporate engagement on and resolutions proposed by shareholders about environmental and social matters. Every year, some proposed resolutions are withdrawn because corporations agree to the recommendations prior to annual general meetings.

Many Canadian lending institutions have adopted the international Equator Principles, which are "a credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions".[20] These institutions[21] require an assessment of environmental and social impacts and risks as a condition for granting project financing.

Customers

Customer goodwill and brand reputation are key intangible assets for any company, typically developed over the longer term but quickly eroded if customers find reason to lose their trust in the company's products and services. Customers want to rely on the quality and consistency of the products and services they buy, together with any warranties provided.

Employees

Employee trust is impacted by the values and actions of company leaders. Employees are central to a company's capacity to produce, deliver, innovate, grow and, in difficult times, survive. In addition, they are often the human face of a company in the market and the community. Trust in relationships between management and work force, and among employees, is vital for enhancing efficiencies and productivity.

Suppliers

The impact of environmental and social issues in supply chains is an important risk consideration in many industries.

Supply chains are increasingly global and complex. Healthy supply chains can result in operational efficiencies, reliability and resilience in difficult times. Supplier relationships and trust are key factors in negotiating contractual terms and conditions and impact a company's reputation and brand.

For this reason, companies are increasingly holding their supply chains accountable for satisfying environmental and social standards. Some companies proactively query their suppliers about their attention to environmental and social issues.

Communities and First Nations

Community trust and relationships are vital for a company to gain and maintain a social license to operate, secure a dependable, healthy workforce and develop productive relationships with local governments and, as appropriate, First Nations peoples.

At a broader level, a company's actions can impact general public trust in a given sector or in business as a whole, which can then affect consumer and investor confidence.[22]

20 See www.equator-principles.com/

21 Canadian financial institutions that have adopted the Equator Principles include Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Export Development Canada, Manulife Financial, Royal Bank of Canada and TD Bank Financial Group.

22 The Financial Crisis Inquiry Commission, *The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States.* (Washington: United States Government Printing Office, 2011). www.gpo.gov/fdsys/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf

Governments

Governments levy taxes, provide grants and subsidies, approve applications and impose regulations on companies and their stakeholders. Governments can have a significant impact on a country's investment climate and competitive business practices. Successful companies build and maintain appropriate working relationships with all relevant levels of government to promote a healthy business environment, advance business interests, achieve timely approvals and maintain their social ability to operate.

Non-Governmental Organizations (NGOs)

NGOs, while not a direct stakeholder category, often represent themselves as acting in the interests of one or more stakeholder groups and can impact companies and stakeholders in various ways. Successful companies pay attention to the views and actions of those NGOs that may sooner or later impact them or their stakeholders in some way. With the advent of social media, relationship building with NGOs takes on increased importance.

In some cases, companies take active steps to develop trust, constructive relationships and even partnerships with NGOs that are seen to be significant to protecting or advancing companies' long-term business interests. Some NGOs are particularly helpful in identifying and evaluating environmental and social risks.

Environmental and Social Laws and Regulations

Companies are required to meet a variety of domestic and international laws and regulations applicable to environmental and social issues. For example, many countries have food safety regulations, building codes, air and water emission standards, product labeling requirements, workplace safety requirements and anti-corruption laws. Governments are continuing to enact new regulations and are also using legislated market mechanisms that influence corporate behaviour and put an additional price on corporate activities.[23]

This regulatory landscape not only presents risks and additional costs for many companies, but also opens up competitive opportunities for many. Those companies that create technology solutions (e.g., process re-engineering, product design) will be winners going forward.

Retail and business customers seek information about products' environmental and health impacts. Retail customers, for example, may expect information about nutritional content, chemical ingredients, raw material and greenhouse gas emissions in product labels. It is reasonable for companies to anticipate and prepare for increased regulations on product labeling. This requires appropriate record keeping systems and controls in place to ensure accurate and complete information is provided.

Many companies are signatories to voluntary codes—e.g., Responsible Care for chemical companies, Towards Sustainable Mining for mining companies. In some instances, voluntary codes are instituted to preempt regulation; in other instances, they are precursors to regulation on environmental and social issues. Companies may choose to make these commitments to enhance their reputation and social license to operate and may realize operational benefits in implementing the commitments.

23 New vehicle emissions standards, stricter building codes and mandated carbon-neutral requirements (e.g. for public service organizations in British Columbia) are putting a price on carbon, for example.

Whether or not laws and regulations have yet been introduced, companies need to be alert to stakeholder expectations. Mere compliance with existing regulatory requirements is no longer sufficient for best-in-class companies. Failure to meet customer, employee and community expectations, particularly with the power of social media, can result in disruptive actions that may damage corporate reputation and have bottom line impacts.

Implications for Directors' Responsibilities

Taken together, the key environmental and social issues, stakeholder trust and relationship dynamics, and the legislative and regulatory landscape discussed above all point to significant shifts in the context for doing business.

Effective boards and directors apply mindsets, perspectives and approaches that acknowledge the complexity and interconnectedness of this shifting business context in making judgments about:

- strategy
- risk and risk oversight
- financial performance
- external reporting
- reliability of information
- board structure and responsibilities.

Questions for Directors to Ask

1) How has management identified and assessed the environmental and social issues most relevant and significant to the company (e.g., stakeholder consultation, investor inquiries, management assessment of risk and materiality, industry studies) and are we satisfied with the process and the outcome of that assessment?

Strategy

Oversight of Strategic Planning Process and Approval of Strategic Plan

In developing corporate strategy, leading companies in all industries are increasingly taking into account relevant environmental and social issues, whether opportunities or risks. In their oversight role, directors will want to satisfy themselves that this has been done.

Because some environmental and social issues evolve over lengthy time frames, some companies employ scenario-planning methodologies based on different assumptions about environmental and social issues. Key assumptions underpinning the strategic plan should be reviewed and challenged as appropriate.

Companies' strategies and business practices regarding environmental and social trends and issues are increasingly affecting intangibles, such as brand value, reputation and the ability to attract and retain employees.

Questions for Directors to Ask

2) What key assumptions about environmental and social issues, stakeholder expectations and the regulatory landscape have been made in developing the strategic plan or related scenarios? Are these assumptions realistic and do we agree with them?

3) What competitive opportunities has management identified to take advantage of key environmental and social issues, stakeholder expectations and the regulatory landscape and do we agree?

4) To the extent that the business strategy includes plans for major capital projects, mergers, acquisitions and/or divestitures, are we satisfied that such plans and related due diligence processes take into account relevant environmental and social issues, stakeholder relationships and regulatory requirements?

Risk and Risk Oversight

Oversight of Risk Identification and Risk Management Systems

Environmental and social issues present a number of significant business risks, as well as opportunities, that need to be identified and assessed on an industry and company-by-company basis.

In their oversight role, directors will want to satisfy themselves that risk management strategies employed are adequate and appropriate, consistent with the company's risk appetite and framework, and take into consideration the possibility of multiple risks occurring at the same time.[24] Directors will also want to satisfy themselves that significant risks and opportunities have been integrated into the company's strategic planning and decision making. Risk "heat maps" and charts of magnitude and likelihood (such as the WEF Global Risk Landscape diagram presented earlier) are helpful risk assessment tools.

It may be helpful to view environmental and social risks as falling into four general categories: operational, reputational, regulatory and litigation.

Operational

Environmental and social issues and inadequate stakeholder relationships can pose risks to the operations of the company and/or its supply chain. These risks might include:

- disruptions to the production, supply or delivery systems, including impacts on property, plant and equipment, communications and transportation networks
- impacts on the availability and capability of workforces to perform necessary operations
- impacts on a company's customer profile and demand.

Disaster planning and readiness for a variety of unexpected or foreseeable events (extreme weather events, floods, forest fires, ice storms, earthquakes, volcanic eruptions, environmental spills, disease outbreaks) is increasingly important in mitigating harm and enabling timely operational recovery. Investment in preventative maintenance of ageing plant and infrastructure is important in minimizing both the risk of accidents and disasters and the subsequent public relations and regulatory fallout.

24 Caldwell.

Reputational

A company's failure to recognize or adequately respond to environmental and social trends and issues, the quality of a company's stakeholder relationships and its non-compliance with government regulations can all jeopardize a company's reputation.

How companies are perceived to be addressing such matters can have a positive or negative impact on intangibles, such as brand value, consumer confidence, employee attraction and retention, timely regulatory approvals, and social license to operate in communities.

Regulatory

Many laws and regulations, both domestic and in foreign jurisdictions, apply to environmental and social issues. This complex and ever-changing regulatory landscape can impact revenue streams and operating costs. It can also impact decision making where there is uncertainty about future regulation. As there can be significant consequences for non-compliance (e.g., penalties, fines, stakeholder dissatisfaction), vigilant management of compliance with regulatory requirements is important.

Establishing effective anti-corruption policies and practices is important to avoid significant legal costs related to contravening increasing anti-corruption legislation and to protect a company's brand and reputation.

Litigation

Companies may be threatened by lawsuits related to environmental or social issues brought by government bodies or any other stakeholders. Such lawsuits could relate to, for example, the operations of a company and its supply chain, its products or services and representations about them (e.g., labels), its workplace practices or its public disclosures to capital markets.

Interrelatedness of Risks

Board oversight of risks related to environmental and social trends and issues needs to recognize the interdependencies and interrelatedness of the trends and issues and the complexity of their impacts on corporate risks and strategies.

The earthquakes and tsunami in Japan in 2011 are an example of a disastrous event which resulted in a number of operational risks being realized—the breakdown in Japanese power supplies, radioactive releases from nuclear facilities, impacts on potable water, agricultural products, employee safety and availability, disruption in North American supply chains and concerns about the perceived safety of exported products. Actualization of operational risks like these can, in turn, impact customer demand and company reputation and possibly result in new regulations and litigation.

Questions for Directors to Ask

5) Do we have the information we need to satisfy ourselves about the appropriateness of management's assessment of the impact of key existing or potential government regulations applicable to environmental and social issues in jurisdictions in which the company operates?

6) Are we satisfied that management has developed appropriate risk management strategies to address the impact of environmental and social issues on supply chains?

7) Are we satisfied that management has devoted sufficient resources to preventative maintenance and to disaster planning?

8) What environmental or social issues have institutional investors, lenders, communities, First Nations, foreign or domestic governments and/or NGOs raised with management and why? Are we satisfied with management's responses?

9) Are we satisfied with management's assessment of the possibility of current or future actions, legal or otherwise, against the company related to environmental or social actions or inactions?

10) What is management's assessment of the impact of environmental and social issues on customer demand and do we agree with the underlying assumptions?

11) Are we satisfied that management has committed sufficient financial and non-financial resources to building effective stakeholder relationships?

Financial Performance

Oversight of financial performance, liquidity and capital

Environmental and social issues impact financial performance in a variety of ways, to a lesser or greater extent, depending on the company and industry.

Environmental and social issues can have financial implications for:

- operations, including availability and cost of resources, both physical and human
- capital projects
- mergers and acquisitions
- new technologies
- access to affordable capital
- access to insurance.

Revenues can be impacted for reasons such as:

- changes in consumer demand for goods and services
- the sale of, or royalties on, innovative technologies
- the speed of obtaining regulatory approvals.

Expenditures can be impacted for reasons, such as:

- the need to retrofit, modify or replace existing property, plant or equipment
- research and development activities to develop new technologies, product design and operating processes
- increased insurance premiums and/or coverage
- costs of regulatory penalties or legal actions.

Institutional investors and lenders are increasingly seeking information on a company's management of and performance related to environmental and social trends and issues.[25] This phenomenon can impact a company's cost of capital and financing sources.

Questions for Directors to Ask

12) Are we satisfied with management's assessment of the financial impacts of key environmental and social issues and related regulations on performance, liquidity and financial condition?

13) Are we satisfied that the company has the financial capacity to withstand and recover from a disaster, including a combination of risks occurring at the same time?

14) Are we satisfied that management is tracking the most appropriate environmental and social metrics and key performance indicators and assessing their relationship with financial performance?

External Reporting

Oversight of Mandatory Reporting

In Canada, there are three[26] main categories of mandatory reporting about environmental and social issues:

- Canadian Securities Administrators' continuous disclosure obligations for reporting to capital markets
- Public Accountability Statements for large financial institutions[27] and
- required filings under government environmental, health and safety regulations.[28]

Existing continuous disclosure regulations include requirements related to environmental and social issues. Disclosures are required in financial statements, Management's Discussion and Analysis (MD&A) reports (NI 51-102 F1) and Annual Information Forms (AIF) (NI 51-102 F2)—see box for more details.

Shareholders in several jurisdictions can sue directors, among others, of a listed company when the company fails to make timely disclosure of material changes or when its disclosures contain a material misrepresentation.

To the extent that institutional investors and other stakeholders are interested in a company's governance over environmental and social issues, disclosures made in Information Circulars (NI 51-102 F5), Statements of Executive Compensation (NI 51-102 F6) and reports on Corporate Governance Practices (NI 58-101 Forms F1 and F2) may also be important.

Regulators are paying increasing attention to the adequacy of environmental disclosures. In February 2008, the Ontario Securities Commission reported in Staff Notice 51-716 on widespread inadequacies in required environmental disclosures. In October 2010, the Canadian Securities Administrators issued Staff Notice 51-333 *Environmental Reporting Guidance*, to assist issuers in providing required disclosures. In the view of regulators, meaningful discussion of material environmental matters, where applicable, in financial statements, MD&As and AIFs is necessary to achieve fair presentation of financial condition in all material respects.

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25 *Environmental, Social and Governance (ESG) Issues in Institutional Investor Decision Making*.

26 In some countries mandatory disclosure of environmental and social issues is often required by company law and stock exchange listing rules.

27 Required by regulation under Canada's *Bank Act*.

28 For example, national reporting requirements for greenhouse gas emissions and provincial reporting requirements for certificates of approval.

Canadian Continuous Disclosure Obligations (National Instrument 51-102)

Financial Statements

Examples of disclosures about environmental and social issues to be found in financial statements, including notes thereto, are:

- environmental costs and liabilities—contingencies and commitments (e.g. contractual obligations)
- asset retirement obligations, including site remediation and restoration costs
- pension plan expenses, assets and obligations
- employee benefit expenses
- stock-based compensation arrangements
- taxation, such as corporate income tax expenses and liabilities
- assets, liabilities, expenses and revenues related to transactions related to emissions trading or arising from climate change related laws, regulations and commitments

Management's Discussion and Analysis (MD&A)

The MD&A requires management "to disclose and discuss commitments, events, risks or uncertainties that you reasonably believe will materially affect your company's future performance…" and "known trends, demands, commitments, events or uncertainties that are reasonably likely to have an effect on your company's business". OSC Staff Notice 51-716 noted that issuers were failing to properly comply with
this requirement with respect to environmental issues.[29]

Annual Information Form (AIF)

Specific AIF disclosures called for include:

- the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the company in the current financial year and the expected effect in future years
- the number of employees as at the most recent financial year-end or the average number of employees over the year, whichever is more meaningful to understand the business
- description of any social or environmental policies the company has that are fundamental to its operations and the steps taken to implement them, such as policies regarding the company's relationship with the environment or with the communities in which it does business, or human rights policies
- risk factors, including environmental & health risks, regulatory constraints, economic or political conditions
- description of any aspect of the company's business that management reasonably expects to be affected in the current financial year by renegotiation of contracts or sub-contracts, and the likely effect
- for companies with mineral projects, disclosure of (among many other things) all environmental liabilities to which projects are subject, and the location of all known mineralized zones, mineral resources, mineral reserves and mine workings, existing tailing ponds, waste deposits and important natural features and improvements
- description of any penalties or sanctions imposed by a court or regulatory body against the company that would likely be considered important to a reasonable investor in making an investment decision.

Oversight of Voluntary Reporting

Many companies provide environmental and social disclosures on a voluntary basis, whether through corporate websites and social media, sustainability reports or responses to surveys and questionnaires (e.g., Carbon Disclosure Project—carbon, water and supply chain).

In 2009, the Government of Canada introduced its program "*Building the Canadian Advantage: A Corporate Social Responsibility (CSR) Strategy for the Canadian International Extractive Sector*", a comprehensive strategy on corporate social responsibility for the Canadian extractive sector operating abroad. Amongst other things, this program promotes the use of the Global Reporting Initiative's *Sustainability Reporting Guidelines* for reporting by the extractive sector to enhance transparency.

Examples of other voluntary conventions and initiatives that either call for or promote environmental and social disclosures include the United Nations Global Compact, the United Nations Principles for Responsible Investment, the Extractive Industries Transparency Initiative and the United Nations Environment Program Finance Initiative.

As noted earlier, several industry sectors have developed their own voluntary codes of business practice and conduct, which typically include disclosure components regarding environmental and social issues and performance.

It is prudent for directors to enquire whether:

- information disclosed within voluntary reports is consistent with information filed in mandatory reports
- material information in voluntary reports is also disclosed on a timely basis in mandatory reports
- voluntary external reporting is reliable and complies with applicable Canadian Securities Administrators' requirements about forward-looking information.

Questions for Directors to Ask

15) What assessment has management made of the materiality to investors of information about environmental and social issues? Are disclosures made in the Annual Information Form (AIF), Management's Discussion & Analysis (MD&A) and/or financial statements consistent with this assessment?

16) What is management's assessment of how our company's mandatory and voluntary public disclosures about environmental and social issues compare with those of competitors and on what basis has it made that assessment?

17) How has management ensured that information reported in corporate websites, social media, or voluntary reports is consistent with that provided in government filings and continuous disclosure filings with securities regulators?

29 CSA Staff Notice 51-333 provides guidance to issuers to assist in providing appropriate environmental disclosures.

Reliability of Information

Oversight of Management Information Systems and Related Internal Control

Directors need to know that management has implemented systems, procedures and controls to gather reliable and timely information about key environmental and social trends and issues for:

- management analysis and decision-making purposes
- disclosure to investors, governments and other stakeholders.

For example, directors need to understand and agree on management's selection of key performance metrics and indicators about environmental and social performance and periodically review company performance against these key metrics and indicators. These key metrics and indicators need to be based on appropriate data collection and reporting systems and related controls.

As the National Association of Corporate Directors stated:

> "Both the board and management should engage in a conversation regarding how the company actually makes money and what differentiates it from competitors. This is essential in educating the board, and often management, about the kinds of performance targets that need to be set, measured, rewarded and eventually communicated. At a basic level, the board must review and approve management's selected metrics."[30]

The reliability of information systems and controls is a necessary underpinning for management and board decision making, government filings, securities filings, including CEO/CFO certifications for financial reporting, and voluntary reporting.

Questions for Directors to Ask

18) Are we satisfied that management has implemented adequate systems, controls and processes to support the compilation of key performance metrics and indicators about environmental and social issues that are appropriate for reliably tracking performance, setting targets, benchmarking and external reporting to capital markets and governments?

Board Structure and Responsibilities

Current practice reveals a variety of board structures and arrangements respecting the oversight of environmental and social issues.[31] The key issue is not so much who is responsible but that responsibility for environmental and social issues rests with the board or a committee of the board.[32] Boards of directors are increasingly expected to promote and support a corporate culture that embeds consideration of environmental and social issues into decision making and performance throughout the organization. In many companies, the board-approved and monitored code of business conduct and ethics is an important tool in promoting and reinforcing an appropriate corporate culture.

30 National Association of Corporate Directors, *Performance Metrics: Understanding the Board's Role.* Blue Ribbon Commission Series. (Washington: National Association of Corporate Directors, 2010).

31 Calvert Asset Management Company and The Corporate Library, *Board Oversight of Environmental and Social Issues: An Analysis of Current North American Practice.* (New York: Governance Metrics International, 2010). info.gmiratings.com/download-free-report-on-board-oversight-of-social-and-environmental-issues/

32 For an example of board responsibility for sustainability and related issues, see: PotashCorp www.potashcorp.com/sustainability_reports/2010/. Board oversight of corporate sustainability is addressed in Global Compact, LEAD and Business for Social Responsibility, *Discussion Paper: Board Adoption and Oversight of Corporate Sustainability.* (2011). www.bsr.org/reports/BSR-LEAD_Discussion_Paper_Board_Adoption_and_Oversight.pdf

In addressing oversight regarding environmental and social issues, board members need to be sufficiently knowledgeable about the company, its industry and relevant environmental and social issues in order to provide appropriate oversight of strategy, risk, and financial reporting.

Questions for Directors to Ask

19) Have we established a governance structure that enables the board to oversee the management of environmental and social issues and their integration throughout the organization?

20) Does the board composition include directors with appropriate knowledge and expertise to assess management's decisions about environmental and social issues?

21) Does the company's code of conduct appropriately reinforce attention to relevant environmental and social issues throughout the organization?

22) How does the company's executive compensation plan support the integration of relevant environmental and social issues into decision making and performance throughout the organization?

23) Overall, in acting in the best interests of the corporation, have we established an appropriate culture and tone at the top to ensure that relevant environmental and social issues are considered and integrated in decision making and actions throughout the organization?

Conclusion

Directors who seek a company's long-term success, competitiveness and resilience will be those who, all other business considerations aside, pay careful attention to how management is integrating key environmental and social issues into strategy and risk and in building key stakeholder relationships. Ongoing board vigilance is essential to keeping abreast of the fast-evolving business impacts of key environmental and social issues. Informed boards asking the right questions make all the difference.

Appendix: Additional Sources of Information

More Information about Environmental and Social Issues

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More Information about Related Business Issues

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Where to Find More Information

CICA Publications on Governance*

The Director Series

The 20 Questions Series

20 Questions Directors and Audit Committees Should Ask about IFRS Conversions (Revised ed)

20 Questions Directors Should Ask about Building a Board

20 Questions Directors Should Ask about CEO Succession

20 Questions Directors Should Ask about Codes of Conduct (2nd ed)

20 Questions Directors Should Ask about Crisis Management

20 Questions Directors Should Ask about Crown Corporation Governance

20 Questions Directors Should Ask about Director Compensation

20 Questions Directors Should Ask about Directors' and Officers' Liability Indemnification and Insurance

20 Questions Directors Should Ask about Executive Compensation (2nd ed)

20 Questions Directors Should Ask about Governance Assessments

20 Questions Directors Should Ask about Governance Committees

20 Questions Directors Should Ask about Internal Audit (2nd ed)

20 Questions Directors Should Ask about IT

20 Questions Directors Should Ask about Management's Discussion and Analysis (2nd ed)

20 Questions Directors Should Ask about Responding to Allegations of Corporate Wrongdoing

20 Questions Directors Should Ask about Risk (2nd ed)

20 Questions Directors Should Ask about the Role of the Human Resources and Compensation Committee

20 Questions Directors Should Ask about their Role in Pension Governance

20 Questions Directors Should Ask about Special Committees

20 Questions Directors Should Ask about Strategy (2nd ed)

Director Briefings

Climate Change Briefing — Questions for Directors to Ask

Controlled Companies Briefing — Questions for Directors to Ask

Diversity Briefing — Questions for Directors to Ask

Long-term Performance Briefing — Questions for Directors to Ask

Director Alerts

The ABCP Liquidity Crunch—questions directors should ask

Executive Compensation Disclosure—questions directors should ask

Fraud Risk in Difficult Economic Times—questions for directors to ask

The Global Financial Meltdown—questions for directors to ask

Human Resource and Compensation Issues during the Financial Crisis—questions for directors to ask

New Canadian Auditing Standards—questions directors should ask

The Not-for-Profit Director Series

NPO 20 Questions Series

20 Questions Directors of Not-for-Profit Organizations Should Ask about Board Recruitment, Development and Assessment

20 Questions Directors of Not-for-Profit Organizations Should Ask about Fiduciary Duty

20 Questions Directors of Not-for-Profit Organizations Should Ask about Governance

20 Questions Directors of Not-for-Profit Organizations Should Ask about Human Resources

20 Questions Directors of Not-for-Profit Organizations Should Ask about Risk

20 Questions Directors of Not-for-Profit Organizations Should Ask about Strategy and Planning

Liability Indemnification and Insurance for Directors of Not-for-Profit Organizations

NPO Director Alerts

Pandemic Preparation and Response—questions for directors to ask

Increasing Public Scrutiny of Not-for-Profit Organizations—questions for directors to ask

New rules for charities' fundraising expenses and program spending—questions for directors to ask

New Accounting Standards for Not-for-Profit Organizations – questions for directors to ask

Other Publications

Accountants on Board—A guide to becoming a director of a not-for-profit organization

The CFO Series

Deciding to Go Public: What CFOs Need to Know

Financial Aspects of Governance: What Boards Should Expect from CFOs

How CFOs are Adapting to Today's Realities

IFRS Conversions: What CFOs Need to Know and Do

Risk Management: What Boards Should Expect from CFOs

Strategic Planning: What Boards Should Expect from CFOs

*Available at www.rogb.ca.

About the authors

Julie Desjardins, CA

Julie Desjardins is a Chartered Accountant and independent researcher, writer and consultant on environmental, social and governance issues and reporting to capital markets. She has authored and co-authored a number of publications, including *Climate Change Briefing: Questions for Directors to Ask and Environmental, Social and Governance (ESG) Issues in Institutional Investor Decision Making*. She sits on the University of Toronto's Environmental Finance Committee and is a member of the National Round Table on the Environment and the Economy's Advisory Committee on *Business Resilience in A Changing Climate*.

Julie is on the board of Transparency International Canada, a charitable organization dedicated to anticorruption and transparency. She has had two Ontario order-in-council appointments to provincial committees on social policy issues and is the recipient of two Governor General of Canada medals for dedication to community service.

Alan Willis, CA

Alan Willis is a Chartered Accountant who, as an independent consultant and author, provides research, writing and advisory services in the areas of performance measurement and business reporting, sustainability, risk and corporate governance. Over the last two decades, his numerous projects for the Canadian Institute of Chartered Accountants and other national and international institutions have addressed the business, investment, accounting and reporting implications of a wide range of sustainability issues facing companies today, as well as associated assurance and verification issues. Recent CICA guidance publications which he has authored or co-authored include *Climate Change Briefing: Questions for Directors to Ask; Long-Term Performance Briefing: Questions for Directors to Ask; Building a Better MD&A: Climate Change Disclosures;* and *20 Questions Directors Should Ask about Management's Discussion and Analysis*, as well as the Discussion Brief *Environmental, Social and Governance (ESG) Issues in Institutional Investor Decision Making*.

He has worked extensively with major Canadian and international initiatives and standards setters to advance best practices in performance measurement and business reporting, particularly as these relate to environmental performance, climate change and broader social and sustainability issues, and, through the International Integrated Reporting Committee, their integration with financial performance measurement and reporting practices. He is a member of the International Corporate Governance Network and of the Sustainability Experts Advisory Panel of the International Federation of Accountants. He represented the CICA on the original steering committee of the Global Reporting Initiative, and at two recent forums of the Prince of Wales' Accounting for Sustainability project.

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School District 8
Kootenay Lake

Revised: September 22, 2020

GOVERNANCE AND POLICY COMMITTEE OF THE WHOLE

2020-2021 ANNUAL PLAN

Goals & Objectives

1. Completion of two-year Policy update and complete legal review of all policies
    a. Bylaw No. 1
    b. Remaining sections 500-700
2. Governance training for all district partner leaders (G & P Committee and DPAC/PAC Presidents)

Strategies & Structures to achieve Goals

1. Governance Training and Leadership Development
2. Strategic Plan – guiding all decisions (preparation for next Strategic Plan)
3. Legal Review

Communication Strategies

4. Governance and Policy Committee Meetings
5. Media, website and other digital media
6. DPAC/PAC meetings
7. Staff Meetings
8. Meetings w/ community partners as needed

1. Policy Priority List

Policy No.	Policy Name	Status	Originating	Assignment
Policy 540	Supervisory Conflict of Interest	Completed September 2019 – left from May 2019 Review	Board	G&P Committee
Policy 730	Pesticides	Completed September 2019 – left from June 2019 Review	Board	G&P Committee
Section 800	Information and Communications Technology	Completed September 2019 - Review	Board	G&P Committee
Bylaws	Bylaw #3, #4	Completed October 2019	Board	G&P Committee
Policy 840	Use of Video Surveillance	Completed October 2019	Board	G&P Committee
Policy 210	Provision of Menstrual Products to Students	Completed November 2019	Ministry - New Policy	G&P Committee
Policy 850	Cyber-misconduct (from Director Howald)	Completed November 2019	Board Referral – New Policy	G&P Committee
Policy 860	Social Networking-Media	Completed November 2019	Board Referral – New Policy	G&P Committee
Bylaws	Bylaw #1	Review Pending	Board	G&P Committee
Bylaws	Bylaw #2	Repealed	Board	G&P Committee

Policy 270	Memorials for Deceased Students or Staff	Completed December 2019	SafeSchools – New Policy	S. Rothermel (Manager Safe School)
Section 900	Distributed Learning	Completed December 2019 - Onboard by G&P Committee	New policies	G&P Committee
Policy 660	Child Care Providers in Schools	Completed December 2019 – Board Referral	New policy	M. McLellan
Policy 100	Reconciliation	Review Pending. Assigned by Board in November 2019.	Board Referral - New policy	G&P Committee
-	Annual Student Symposium	Completed February 2020. O&F Committee to Host in 2021.		G&P Committee hosted in 2019/20
Section 200	Health & Safety	Completed March 2020 - Review	Board	G&P Committee
Section 300	Students	Completed April 2020 – Review	Board	G&P Committee
Section 400	Instruction and School Organization	Completed June 2020 – Review	Board	G&P Committee
Section 500	Human Resources	Completed September 2020 - Review	Board	G&P Committee
Section 600	Finance and Business Operations	2020-2021 - Review	Board	G&P Committee
Policy 580	Discrimination and Harassment	November 2020	Board	G&P Committee
Section 700	Facility Operations and Transportation	2020-2021 - Review	Board	G&P Committee
Policy 530	Whistleblower Protection	March 2021	Board	G&P Committee

2. Governance Topics

a. Terms of Reference – September 22, 2020
b. Review Annual Plan – September 22, 2020
c. Emotional Skills for the Board Room: Know the Rules – November 10, 2020
d. The Ethical Imperative and the Environment, Social and Governance Imperative – November 10, 2020
e. Data Analysis – March 9, 2021
f. Running Effective Meetings and dealing with reputation: Issue & Crisis – March 9, 2021
g. Strategic Planning – May 11, 2021
h. Establishing priorities and financial commitments – May 11, 2021

School District 8
Kootenay Lake

2020-2021 Board Calendar

2020-2021 BOARD & COMMITTEE MEETINGS SCHEDULES

DATE	TIME	LOCATION	MEETINGS	COMMENT
September 22, 2020	10:00 am – 12:00 pm	Board Office, Nelson	Closed Board Meeting	
	12:30 pm – 4:30 pm	Board Office, Nelson	Committees of the Whole	
	5:00 pm – 7:00 pm	Board Office, Nelson	Open Board Meeting	Audited Financial Statements
October 13, 2020	3:00 pm – 4:30 pm	PCSS, Creston	Closed Board Meeting	Working Session
	5:00 pm – 7:00 pm	PCSS, Creston	Open Board Meeting	
November 10, 2020	12:30 pm – 4:30 pm	Board Office, Nelson	Committees of the Whole	
	5:00 pm – 7:00 pm	Board Office, Nelson	Open Board Meeting	
December 8, 2020	3:00 pm – 4:30 pm	Board Office, Nelson	Closed Board Meeting	Working Session
	5:00 pm – 7:00 pm	Board Office, Nelson	Open Board Meeting	
Winter Break (December 19 – January 3)				
January 12, 2021	3:00 pm – 4:30 pm	Board Office, Nelson	Closed Board Meeting	Working Session
	5:00 pm – 7:00 pm	Board Office, Nelson	Open Board Meeting	
February 9, 2021	2:00 pm – 3:00 pm	Board Office, Nelson	Closed Board Meeting	Working Session: 2020-2021 Amended Budget
	2:00 pm – 3:00 pm	Board Office, Nelson	O&F Committee Meeting	
	5:00 pm – 7:00 pm	Board Office, Nelson	Open Board Meeting	
March 9, 2021	12:30 pm – 4:30 pm	Board Office, Nelson	Committees of the Whole	
	5:00 pm – 7:00 pm	Board Office, Nelson	Open Board Meeting	
Spring Break (March 13 – 28)				
April 6, 2021	3:00 pm – 4:30 pm	PCSS, Creston	Closed Board Meeting	Working Session: 2021-2022 Budget
	5:00 pm – 7:00 pm	PCSS, Creston	Open Board Meeting	
May 11, 2021	12:30 pm – 4:30 pm	Board Office, Nelson	Committees of the Whole	
	5:00 pm – 7:00 pm	Board Office, Nelson	Open Board Meeting	2021-2022 Budget
June 15, 2021	3:00 pm – 4:30 pm	Board Office, Nelson	Closed Board Meeting	Working Session
	5:00 pm – 7:00 pm	Board Office, Nelson	Open Board Meeting	
Summer Break				

Revised: September 16, 2020